

As you start shopping for a new home, you may encounter some unfamiliar words and terms. The following glossary will help get you through the maze of buying a home.

**Adjustable-Rate Mortgage (ARM)** Loan with an interest rate adjusted according to movements in the financial market. Many offer lower-than-market initial interest rates that rise only gradually for the first few years.

**Annual Percentage Rate (APR)** Annual cost of credit over the life of a loan including interest, service charges, points, loan fees, mortgage insurance and other items.

**Appraisal Unbiased**, professional opinion of a property's value based on its style and appearance, construction quality, usefulness and the value of comparable properties.

**Assessment Tax** levied on a property or a value placed on the worth of a property by a taxing authority.

**Assumption Transaction** allowing a buyer to assume responsibility for an existing loan instead of getting a new loan.

**Broker (Real Estate)** Person who receives a commission or fee for bringing buyer and seller together and assisting in the negotiation of contracts between them. A license is required in most states.

**Building Code Local** regulations controlling design, construction and materials used in construction. Building Codes are based on safety and health standards.

**Buydown Subsidy**, usually paid by a builder or developer, to reduce the monthly payments on a mortgage loan.

**Buyer's Agent** A real estate agent who represents only the buyer in a real estate transaction.

**Callback Request** by a homeowner for a builder to handle a service request.

**Cap Limit** to the amount an interest rate or monthly payment can increase for an adjustable-rate loan either during an adjustment period or over the life of the loan.

**Certificate of Occupancy Document** from an official agency stating the property meets the requirements of local codes, ordinances and regulations.

**Chain of Title History** of all documents transferring title to a parcel of real property, starting with the earliest existing document and ending with the most recent.

**Change Order Homebuyer's** written authorization to add, delete or change an item specified in a contract.

**Closing Meeting** to sign documents that transfer from a seller to a buyer. (Also referred to as settlement.)

**Closing Costs Charges** paid at settlement for obtaining a mortgage loan and transferring a real estate title.

**Commission Agent's** fee for negotiating a real estate or loan transaction, often expressed as the percentage of the sales price or mortgage amount.

**Conditions, Covenants and Restrictions (CC and Rs)** Standards that define how a property may be used and the protections the developer makes for the benefit of all owners in a subdivision.

**Contingency Condition** that must be met before a contract is binding.

**Convertibility Ability** to change a loan from an adjustable rate schedule to a fixed-rate schedule.

**Covenant Agreement** between seller and buyer on a piece of property, restricting the use of that property. (Also called deed restriction.)

**Deed Legal** document representing property ownership.

**Default** When a borrower fails to make the required payments of a mortgage contract.

**Density** The number of homes built on a particular acre of land. Allowable densities are determined by local jurisdictions.

**Debt-To-Income Ratio Long-Term** debt expenses as a percentage of monthly income; used by lenders to qualify borrowers for mortgage loans.

**Due-on-Sale Clause** in a mortgage contract requiring the borrower to pay the entire outstanding balance upon sale or transfer of the property.

**Earnest Money Sum** paid to the seller to show that a potential purchaser is serious about buying.

**Easement Right-of-Way** granted to a person or company authorizing access to the owner's land. For example, a utility company may be granted easement to install pipes or wires. An owner may voluntarily grant an easement or can be ordered to grant one by a local jurisdiction.

**Equity Difference** between the value of a home and what is owed on it.

**Escrow Handling** of funds or documents by a third party on behalf of the buyer and/or seller.

**Escrow Amount** Amount set up by a lender into which periodic, usually monthly, payments for taxes, hazard insurance, assessments and mortgage insurance premiums are made. Funds are held in trust by the lender who pays the sums as they become due.

**Fair Market Value Price** at which property is transferred between willing buyer and willing seller, each of whom has reasonable knowledge of all pertinent facts and neither being under compulsion to buy or sell.

**Federal Housing Administration (FHA)** Federal agency that insures mortgages with lower down payment requirements than conventional loans.

**Fixed-Rate Mortgage** with an interest rate that remains constant over the life of the loan.

**Hazard Insurance Protection** against damage caused by fire, wind storms or other common hazards. Many lenders require borrowers to carry it in an amount at least to the mortgage.

**HVAC Common** building industry abbreviation for heating, ventilation and air conditioning systems.

**Index Interest** rate or adjustment standard that determines the changes in monthly payments for an adjustable-rate loan.

**Infrastructure Public** facilities and services needed to support residential development, including highways, bridges, schools and sewer and water systems.

**Inspection Examination** of work completed on a structure to determine compliance with building code and other code requirements.

**Joint Tenancy Form** of ownership in which the tenants own a property equally. If one dies, the other automatically inherits the entire property.

**Loan Origination Fee** Lender will charge a fee for the cost of processing the loan, usually calculated as a percentage of the loan amount.

**Loan-To-Value-Ratio** Relationship between the amount of a home loan and the total value of a property.

**Lock-In Rate Commitment** from a lender to make a loan at a pre-set interest rate at some future date, usually for not more than 90 days. A fee may be charged to "lock-in" a rate.

**Mortgage Commitment Formal** written communication by a lender agreeing to make a mortgage loan on a specific property, specifying the loan amount, length of time and conditions.

**Mortgage Origination Fee Charge** for the work involved in preparing and servicing a mortgage application.

**Permit Document** issued by a local government agency allowing construction work to be performed in conformance with local codes. Work may not commence until permits have been obtained, and each permit issuing agency must inspect the work at certain specified points during construction.

**PITI Principal**, interest, taxes and insurance: the four major components of monthly housing payments.

**Point One-Time** charge assessed by the lender at closing to increase the interest yield on a mortgage loan.

**Presettlement Walk-Through** Final inspection of house prior to closing, conducted by builder and buyer.

**Principal Amount** borrowed, excluding interest and other charges.

**Property Survey Survey** to determine the boundaries of a piece of property. Cost depends on the complexity of the survey.

**Recording Fee Charge** for recording the transfer of a property, paid to a city, county or other appropriate branch of government.

**Specifications Contractual** document describing in detail the work to be performed; method of construction; standards of workmanship; quality, type and manufacturer of materials and equipment for a particular project.

**Tenancy in Common Form** of ownership in which the tenants own separate but equal parts. To inherit the property, a surviving tenant would either have to be mentioned in the will or, in the absence of a will, be eligible through state inheritance laws.

**Title Evidence**, usually in the form of a certificate or deed, of a person's legal right to ownership of a property.

**Title Insurance Insurance** against any title defects that may exist prior to the time the title is passed from one owner to the next, and which may come to light in a future transaction.

**Veterans Administration (VA)** Federal agency that insures mortgage loans with very liberal down payment requirements for honorably discharged veterans and their surviving spouses.