



BUYING AND SELLING TERMS AND DEFINITIONS

Buying and selling a home can be confusing. Here are some of the more commonly used terms used during the process and their definitions. Whenever you have a question, be sure to call any of the Neighborhood Realty Realtors and let them help you with getting the answers you need.

ABSTRACT OF TITLE

A summarized history of the legal title to property. It shows changes of title, records of liens and encumbrances.

ASSUMABLE MORTGAGE

A loan that can be transferred from the existing owner to the new owner.

CLOSING COSTS

Charges paid at settlement to obtain a mortgage loan and transfer a real estate title, usually in addition to the price of the home. The sales contract clearly states who – the buyer or the seller – will pay the closing costs and the amount.

CLOSING DAY

The date on which the title property passes from the seller to the buyer and/or the date on which the borrower signs the mortgage loan agreement.

EARNEST MONEY

An amount paid to a seller by a potential buyer to demonstrate that the buyer is serious. If a contract is executed, the earnest money is returned with deductions for processing charges, paperwork, etc. Terms of the contract should be known upfront.

EASEMENTS

The rights of way granted to a person(s) or companies authorizing access to or over the owner's land.

EQUITY

The value in excess of indebtedness against the property.

ESCROW

A system or document transfer in which a deed, bond or fund is delivered to a third party to hold until all conditions in a contract are fulfilled.

INTEREST

The cost paid by a borrower for the use of money borrowed to purchase a home.

**MORTGAGE**

Pledge of property as security for the payment of a debt.

MORTGAGE COMMITMENT

A written communication by a lender, agreeing to make a mortgage on a specific property stating the loans' amount, length of time and conditions.

POINTS

A point is a one-time assessment charge of 1% of the mortgage value. This may be required by the lender to increase the interest yield from the mortgage loan to a position of competitive with the interest yield from other types of investments.

PRINCIPAL

The amount of money borrowed in mortgage loan excluding interest or other charges.

SALES CONTRACT

A contract between the buyer and the seller. The contract should explain exactly what the purchase includes and who is responsible for providing it. It should include guarantees, when the buyer can move in, what the closing costs are and what "outs" a party has if the contract is not fulfilled or if a mortgage commitment cannot be secured.

SETTLEMENT EXPENSE

This is different from closing costs but also involves charges that a buyer or seller must pay in closing a deal on a house. Settlement costs include insurance and tax payments, special assessments for improvements to municipal facilities and sales commissions.

SURVEY

On-site measurement of lot lines, dimensions and position of the house on the lot including determination of possible encroachments or existing easements. A survey is often required by the lender to assure him that a house is actually on the land according to its legal description.

TITLE INSURANCE

A contract to make good a property owner's loss resulting from defects in a title. Title insurance usually calls for the insurer to defend the property owner's title at no cost if the title is challenged in court.

TITLE

Evidence (usually a certificate or deed) of a person's legal right to ownership of a property.

TITLE SEARCH

A detailed review of title records to assure that the property is bought from the legal owner and to determine if any liens, special assessments, or other claims or outstanding restrictive covenants are on record.

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