

GLOSSARY OF TERMS

Adjustable Mortgage Rate (ARM): A mortgage with an interest rate that changes over time in line with movements with the index.

Agent: One who is authorized to act for or represent another (principal), usually in business matters. Authority may be expressed or implied.

Amortization: Payment of debt in regular, periodic installments of principal and interest, as opposed to interest only payments.

Annual Percentage Rate (APR): Total finance charge (interest, loan fees, points expressed as a percentage of the loan).

Appraisal Report: Written report by an Appraiser containing their opinion as to value of the property and the reasoning leading to this opinion. Factual data supporting the opinion, such as comparables, appraisal formulas and qualifications of the Appraiser, will also be set forth.

Appreciation: An increase in value of real estate.

"As-is" Condition: Premises accepted by Buyer of the condition existing at the time of the sale, including all physical defects.

Asking Price: The price at which the Seller is offering the property for sale. The eventual selling price may be less after negotiation with the Buyer.

Assumption of Mortgage: A Buyer's agreement to assume the liability under an existing note that is secured by a Mortgage or Deed of Trust. The Lender must approve the Buyer in order to assume the loan.

Balloon Payment: Final payment of a mortgage loan when its larger than the regular payment. Usually extinguishes the note.

Beneficiary's Demand: Written instructions by a beneficiary under Deed of Trust stating and demanding the amount necessary for issuance of reconveyance, whether a full or partial amount.

Cap: Limit on how much an interest rate or monthly payment can change, either at each adjustment or over the life of the mortgage.

Capital Gains: The taxable profit derived from the sale of a capital asset. It is the difference between the sale price and the basis of the property, after making appropriate adjustments for closing costs, fixing-up expenses, capital improvements, allowable depreciation, etc.

Certificate of Reasonable Value (CRV): A document that establishes the maximum value & loan amount for VA guaranteed loan.

Closing Statement: The statement which lists the final financial settlement between Buyer and Seller and the costs each must pay. A separate statement for Buyer and Seller are generally prepared.

(continued on reverse)

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GLOSSARY OF TERMS (continued from other side)

Compensation: An amount, usually a percentage, paid to an agent (Real Estate Broker) as compensation for his/her services. The amount to a Real Estate Broker is generally a percentage of the sale price.

Condominium: A system of individual fee ownership of units combined with joint ownership of common areas of the structure and land.

Contract for Deed: A contract ordinarily used in connection with the sale of a property in cases where the seller does not wish to convey title until all or a certain part of the purchase price is paid by the buyer.

CC&R's: Covenants, Conditions and Restrictions. A document that controls the use requirements and restrictions of a property.

Earnest Money: The portion of the down payment provided by the Buyer, delivered to the Seller or Escrow Agent with a written offer as evidence of good faith.

Due on Sale Clause: An acceleration clause that requires full payment of a mortgage or deed of trust when the secured property changes ownership.

Federal National Mortgage Association: Popularly known as Fannie Mae. A privately owned corporation created by Congress to support the secondary mortgage market. It purchases and sells residential mortgages insured by FHA or guaranteed by VA, as well as conventional home mortgages.

Grant Deed: One of the many types of deeds used to transfer real property. Contains warranties against prior conveyances or encumbrances. When title insurance is purchased, warranties in a deed are of little practical significance.

Listing: An agreement between an Owner of real property and a Real Estate Agent, whereby the Agent agrees to secure a Buyer for specific property at a certain price and terms in return for a fee or compensation.

Listing Agent: Real Estate Agent obtaining a listing as opposed to the Selling Agent.

Owner Will Carry Mortgage: A term used to indicate that the Seller is willing to take back a purchase money mortgage. (Can also be called a Seller Carry Back)

Pro Rate: To divide in proportionate shares, such as taxes, insurance, rent or other items, which Buyer and Seller share at the time of closing or other agreed upon time.

Purchase Agreement: A written document whereby the Purchaser agrees to buy certain real estate and the Seller agrees to sell under stated terms and conditions. Also called Sales Contract, Earnest Money Contract or Agreement for Sale.

Realtor®: A designation given to a Real Estate Broker or Sales-Associate who is a member of a board associated with the National Association of Real Estate Boards.

Reconveyance: An instrument used to transfer title from a Trustee to the equitable Owner of real estate, when title is held as collateral security for a debt. Most commonly used upon payment in full of a Trust Deed. Also called a Deed of Reconveyance or Release.

Selling Agent: The Real Estate Agent obtaining the Buyer rather than listing the property, the Listing and Selling agent may be the same person or company.

Seller Concessions: Concessions in real estate are incentives like payment for closing costs, necessary repairs, or personal property like furniture that the seller offers the buyer to sweeten the deal and close the sale.