

GLOSSARY OF REAL ESTATE TERMS

These terms represent a small portion of the jargon used in describing the purchase process for real estate. An important part of our relationship is making you more familiar with how these terms are a part of your purchase and ownership of real estate. We have provided here a simplified, common language explanation of these terms limited to how they will most likely be used in your home purchase process.

Appraisal -An estimate of the quantity, quality or value of something. The process through which conclusions of property value are obtained; also refers to the report that sets forth the process of estimation and conclusion of value. (Most lenders require an appraisal of a property before giving you a loan to confirm that the sale price reflects the market value of the home.)

Assessment - The imposition of a tax, charge or levy, usually according to established rates. (In Dane County, real estate taxes are based on the Municipality's assessment or financial value assigned to a home and land. Ask us for the current tax rates in the areas you are looking.)

Buyer Agency Agreement – An agreement which allows a Realtor to represent the best interests of a Buyer throughout the search, negotiations, and purchase process.

Capital Gain - Profit earned from the sale of an asset.

Closing Statement – (also known as a Settlement Statement or HUD) a detailed accounting of a real estate sale showing all cash received, all charges and credits accounted for, and all cash paid out in the transaction. This is the standardized form which is used as the final accounting at time of closing to determine the amount of funds due at time of closing.

Competitive Market Analysis (CMA) - A comparison of the prices of recently sold homes that are similar to a particular home in terms of location, style and amenities. (When we find you a home that you are going to make an offer on, we will look at the sales prices of comparable properties to help determine an asking price)

Earnest Money - Money paid by a Buyer under the terms of an offer contract, held by the listing broker during the term of the contract, and credited back to the Buyer at time of closing. This money is understood to be forfeited if the buyer defaults on their offer contract.

Easement - A right to use the land of another for a specific purpose, such as for a right-of-way or utilities. An easement can stay in place beyond the sale of a property, therefore any Buyer will receive Title Insurance to discover any recorded easements that will stay with the property.

Equity - The interest or value that the owner has in property over and above any indebtedness.

Escrow - The closing of a transaction through a third party called an escrow agent, or escrowee, who receives certain funds and documents to be delivered upon the performance of certain conditions outlined in the escrow instructions. (Brokerage companies, i.e. Bunbury & Associates, act as an escrow agent while holding earnest money)

Fixture - An item of personal property that is attached to the real estate property or function of the property in such a way that it is considered part of that real estate. (i.e. light fixtures, floorboards, furnace, water heater, doorknobs)

Lien - A right given by law to certain creditors to have their debts paid out of the debtor's property. This is a debt that must be paid by the Seller prior to receiving any proceeds on the sale of a home and includes any debts for which the property is put up as collateral (a mortgage).

Multiple Listing Service (MLS) - A Marketing organization composed of member brokers who share a regional database of listed properties to provide Sellers and Buyers with exposure to many of the properties available for sale in that area.

PITI - Principle, Interest, Taxes and Insurance. This amount makes up the monthly payment normally due monthly to the home owner's mortgage company.

Private Mortgage Insurance (PMI) - Insurance provided by private carrier that protects a lender against a loss in the event of a foreclosure and deficiency. This is usually required when a loan amount exceeds 80% of the value of the property. Ask about loan program options that avoid PMI.

Special Assessment - A tax or levy customarily imposed against only those specific parcels of real estate that will benefit from a proposed public improvement like a street or sewer. (It is important in a real estate transaction to determine who will be paying the balance if a special assessment is upcoming or currently due.)

Title Insurance - A policy insuring the owner or mortgagee against loss by reasons of defects in the title (ownership) of a parcel of real estate, other than encumbrances, defects and matters specifically excluded by the policy. It is also provided as proof of ownership of the property, usually provided by the Seller to a Buyer, which also shows any other liens or encumbrances which are attached to a property.

Truth-in-Lending - Act requiring credit institutions to inform borrowers of the true cost of obtaining credit by providing an interest rate which reflects not only the interest rate on the loan but incorporates any fees or costs charged by the lender in obtaining the loan. Its purpose is to create a way for consumers to easily and accurately compare different loan programs side by side.