



# REAL ESTATE TERMINOLOGY

- **Adjustable Rate Mortgage (ARM)** - The interest rate is tied to a financial index making the monthly mortgage payment go up or down over time.
- **Annual Percentage Rate (APR)** - The percent of interest that will be charged on a home loan.
- **Appraisal** - A report highlighting the estimated value of the property completed by a qualified 3rd party. This is typically done for the benefit of the buyer and lender to ensure the property is worth what they are paying.
- **Closing** - This is the final meeting where all of the necessary paperwork to complete the transaction is signed and exchange possession of the property. Closing is not final until the deed has been recorded at the county courthouse.
- **Closing Costs** - Expenses associated with the transaction other than the actual purchase price of the home. Ex. Attorney Fee, Taxes, Insurance, etc...
- **Closing Disclosure (CD)** - A form that itemizes details of the expenses
- **Commission** - A percentage of the sales price that is paid to the agents for their services to the buyer and the seller.
- **Comparables** - Properties within the area that have similar features that have recently sold.
- **Contingency** - Conditions that have not yet been met in order to close. Ex. Buyer can't close on new home because they have to sell their current home first.
- **Counter Offer** - Offer from the other party rejecting the previous offer terms and presenting new terms that would be acceptable.
- **Debt to Income Ratio** - A buyer's debt compared to buyer's income to determine loan eligibility. Typically 36% of income would be the target payment.
- **Down Payment** - A percentage of the cost of the property that is paid up front on a mortgage.
- **Earnest Money** - Deposit made by the buyer to the seller when submitting an offer. Upon closing the money will be applied to the buyer's closing fees.
- **Escrow** - Period of time from when the contract is accepted to when it closes.
- **Equity** - If the property will sell for more than was paid or is owed.
- **FHA** - Loan insured by the Federal Housing Authority offering a lower down payment and income requirements to those that qualify.
- **Fixed Rate** - The interest rate will remain the same throughout the life of the loan.
- **Home Inspection** - A professional inspects the home & systems for any defects that may not be seen and creates a report.
- **Home Owner Association (HOA)** - Monthly or annual fee associated with the properties housing community to pay for various amenities within the community.

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- **Home Warranty** - Home protection service plan that covers the repairs of items covered in the plan.
- **Mortgage Insurance** - Insurance written in connection with a loan that protects the lender in the event the borrower defaults.
- **Multiple Listing Service (MLS)** - Listing Database of properties available for sale and closing data for properties that have sold. Access to this requires a paid membership where members have met the educational & licensed requirements.
- **Pre-Approval** - Initial credit check by the lender before document verification.
- **Pre-Qualification** - Lender has obtained and verified buyer's application and financial supporting documents for loan approval.
- **Property Taxes** - Annual Taxes you pay to the City, County, and State taxes the property that you own.
- **Real Estate Owned (REO)** - Bank owned or foreclosed properties owned by a financial institution because of default loans.
- **Short Sale** - When the seller's lender is willing to take less than the amount owed on the mortgage loan in lieu of foreclosure or financial distress.
- **Title / Deed** - Legal document of property ownership.
- **Underwriting** - Lender department that fulfills loan commitment for final review of all documents needed to close the loan.
- **VA Loan** - Loans written to Americans who have served in the armed forces for little to no down payment administered by the Department of Veteran Affairs.

## NOTES / QUESTIONS:

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