RESIDENTIAL EDITION

YOUR ULTIMATE OF REAL ESTATE DICTIONARY

TERMS & DEFINITIONS NO ONE UNDERSTANDS

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- 1. **Abstract of Title:** A summary report of the property title, including transfers, liens, and legal actions.
- 2. **Amortization:** The process of paying off a debt, such as a mortgage, through regular payments over a specific period of time.
- 3. **Appraisal:** An estimation of a property's value, conducted by a licensed appraiser.
- 4. **Assessed Value:** The value of a property as determined by a tax assessor for the purpose of calculating property taxes.
- 5. **Assumption Clause:** A provision allowing a buyer to take over the seller's mortgage.
- 6. **Balloon Mortgage:** A mortgage with regular payments that do not amortize the loan fully, requiring a large final payment (balloon payment) at the end of the term.
- 7. **Buyer's Agent:** A real estate agent representing the buyer's interests in a transaction.
- 8. **Capital Gains Tax:** Tax on the profit from the sale of an asset, including real estate.
- 9. **Chain of Title:** The history of a property's ownership, showing the succession of title from owner to owner.
- 10. **Closing Agent:** A neutral third party responsible for finalizing a real estate transaction, ensuring all documents and funds are properly transferred.
- 11. **Closing Costs:** The expenses, beyond the property cost, that buyers and sellers incur to complete a real estate transaction.
- 12. **Cloud on Title:** Any condition that affects the clear title of a property, such as a lien, easement, or dispute.
- 13. **Collateral:** Property or other assets pledged by a borrower as security for a loan.
- 14. **Comparative Market Analysis (CMA):** A report that helps sellers determine a competitive price for their property based on recent sales of similar properties.
- 15. **Contingency:** A condition in a real estate contract that must be met for the contract to be legally binding.

- 16. **Debt-to-Income Ratio (DTI):** A financial metric used by lenders to assess a borrower's ability to manage monthly payments, calculated by dividing total monthly debt payments by gross monthly income.
- 17. **Deed:** A legal document that transfers ownership of a property from one party to another.
- 18. **Deed of Trust:** A legal document that gives a lender a security interest in a property, used instead of a mortgage in some states.
- 19. **Default:** Failure to fulfill a financial obligation, such as missing mortgage payments.
- 20. **Due Diligence:** The process of investigating a property and its financial aspects before finalizing a transaction.
- 21. **Due-on-Sale Clause:** A provision in a mortgage allowing the lender to demand full repayment if the property is sold
- 22. **Earnest Money:** A deposit made by the buyer to demonstrate their intention to purchase the property, typically held in escrow until closing.
- 23. **Earnest Money Deposit:** A sum of money paid by the buyer to demonstrate genuine interest in purchasing the property, held in escrow until closing.
- 24. **Easement:** The legal right to use another person's land for a specific purpose, often granted to utility companies or neighboring properties.
- 25. **Eminent Domain:** The government's power to take private property for public use, with compensation to the owner.
- 26. **Encroachment:** An intrusion onto another person's property, such as a fence or building, which may require legal action to resolve.
- 27. **Encumbrance:** Any claim or lien on a property, such as a mortgage, easement, or property tax.
- 28. **Equity:** The difference between a property's market value and the outstanding mortgage balance.
- 29. **Escrow:** Funds or property held by a neutral third party (escrow agent) until conditions of the sale are met.

- 30. **Escrow Account:** An account where funds are held by a third party until the completion of a transaction.
- 31. **Exclusive Right-to-Sell Listing:** A contract giving a real estate agent the exclusive right to market a property for sale, regardless of who sells it.
- 32. **Fair Housing Act:** Federal legislation prohibiting discrimination in housing based on race, color, religion, sex, or national origin.
- 33. **FHA Loan:** A mortgage loan insured by the Federal Housing Administration, often requiring a lower down payment.
- 34. **Fixture:** An item that was once personal property but has been attached to the land or a building and is, therefore, considered part of the real estate.
- 35. **Foreclosure:** A legal process through which a lender seizes and sells a property after the borrower fails to make mortgage payments.
- 36. **Good Faith Estimate (GFE)**: An estimate of the fees due at closing, provided by a lender to a borrower within three days of loan application.
- 37. **Hazard Insurance:** Insurance that protects against damage caused by natural disasters, such as floods, earthquakes, and hurricanes.
- 38. **Home Inspection:** A thorough examination of a property's condition, typically conducted before purchase.
- 39. **Home Warranty:** A service contract covering the repair or replacement of major home systems and appliances.
- 40. **Homeowner's Association (HOA):** An organization in a residential community that creates and enforces rules for properties within its jurisdiction.
- 41. **Housing Bubble:** A rapid increase in real estate prices, followed by a sharp decline, often resulting in a market crash.
- 42. **HUD-1 Statement:** A document that itemizes all closing costs and fees in a real estate transaction, also known as a settlement statement.

- 43. **Interest Rate:** The percentage of a loan amount that a lender charges for borrowing the money, usually expressed annually.
- 44. **Joint Tenancy:** A form of co-ownership where two or more individuals hold equal shares and have equal rights to the property.
- 45. **Jumbo Loan:** A mortgage loan that exceeds the conforming loan limits set by the Federal Housing Finance Agency.
- 46. **Lease Agreement:** A legal contract outlining the terms and conditions for renting a property.
- 47. **Lease Option:** A rental agreement that includes the option for the tenant to purchase the property at a later date.
- 48. **Leasehold:** The right to use and occupy land and/or structures for a specific period, granted by a lease agreement.
- 49. **Lender's Title Insurance:** Insurance protecting the lender against loss in case of title defects.
- 50. **Lien:** A legal right or interest that a lender has in a borrower's property, granted until the debt obligation is satisfied.
- 51. **Lis Pendens:** A written notice indicating that a lawsuit is pending and that the property's title may be affected.
- 52. **Listing:** A property advertisement created by a seller's agent and placed in the MLS.
- 53. **Loan-to-Value Ratio (LTV):** The ratio of the loan amount to the property's appraised value, expressed as a percentage.
- 54. **Multiple Listing Service (MLS):** A database where real estate agents list properties for sale.
- 55. **Mortgage:** A loan used to buy real estate, where the property itself serves as collateral.
- 56. **Mortgage Broker:** A middleman who connects borrowers with lenders and helps them secure a mortgage loan.
- 57. **Net Operating Income (NOI):** The total income generated by a property minus the operating expenses, excluding debt service and income.
- 58. **PITI (Principal, Interest, Taxes, Insurance):** An acronym for the components of a monthly mortgage payment: Principal, Interest, Taxes, and Insurance.

- 59. **Planned Unit Development (PUD):** A type of community development that includes both residential and commercial properties.
- 60. **Preliminary Title Report:** A report detailing the property's title history, used by title companies to issue title insurance.
- 61. **Principal:** The original amount of money borrowed in a loan.
- 62. **Private Mortgage Insurance (PMI):** Insurance paid by the borrower to protect the lender in case of default, usually required for loans with a down payment of less than 20%.
- 63. **Quitclaim Deed:** A deed that transfers a property owner's interest to another person without making any guarantees about the title's authenticity.
- 64. **Real Estate:** Land and any property attached directly to it, including structures and natural resources.
- 65. **Real Estate Agent:** A licensed professional who assists buyers and sellers in real estate transactions.
- 66. **Real Estate Broker:** A licensed agent who has completed additional education and can work independently or hire other agents.
- 67. **Real Estate Investment Trust (REIT):** A company that owns, operates, or finances income-generating real estate.
- 68. **Real Estate Owned (REO):** Properties that have been foreclosed on and are now owned by the bank or lending institution.
- 69. **Real Estate Short Sale:** A sale of property where the proceeds fall short of the balance owed on the mortgage, requiring lender approval.
- 70. **Real Estate Wholesaling:** A strategy where an investor finds properties below market value and sells them to other investors for a profit.
- 71. **Real Property:** Land and any property attached directly to it, including structures and natural resources.
- 72. **Realtor:** A real estate agent or broker who is a member of the National Association of Realtors (NAR) and adheres to its strict code of ethics.

- 73. **Rent Control:** Government regulations limiting the amount and frequency of rent increases.
- 74. **Rental Agreement:** A legal contract outlining the terms and conditions between a landlord and tenant for the rental of a property.
- 75. **Resale Value:** The estimated value of a property when it is sold in the future, based on market conditions and potential improvements.
- 76. **Right of First Refusal:** A clause in a lease or other agreement giving a party the option to purchase property before the owner sells it to another party.
- 77. **Seller's Agent:** A real estate agent representing the seller's interests in a transaction.
- 78. **Sweat Equity:** The increase in a property's value due to improvements made by the owner's labor and skills.
- 79. **Tax Lien:** A claim by the government on a property due to the owner's unpaid taxes.
- 80. **Tenancy at Will:** A rental agreement with no specific end date, allowing either the landlord or tenant to terminate the arrangement with proper notice.
- 81. **Tenancy in Common:** A form of property ownership in which two or more individuals have equal or unequal shares with no rights of survivorship.
- 82. **Title:** Legal ownership of a property, often proven through a deed.
- 83. **Title Insurance:** Insurance that protects against losses arising from defects in the title of the property.
- 84. **Title Search:** A process to verify a property's legal ownership and identify any outstanding liens or encumbrances.
- 85. **Underwriting:** The process used by lenders to assess the risk of a borrower and decide whether to approve a loan application.
- 86. **VA Loan:** A mortgage loan guaranteed by the U.S. Department of Veterans Affairs, available to eligible veterans and active-duty service members.
- 87. **Zoning:** Government regulations that control the use of land within a specific area.

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