# Real Estate Terms

A
Acceptance

A positive response to an offer or counteroffer. An acceptance may be "conditional," "express," "implied" or "qualified."
Agent

Someone who acts on behalf of another for a fee, such as a real estate agent.
Appraisal

An estimate of value, as determined by an independent agent familiar with local real estate values.
"As-is" agreement

Certifies that a buyer accepts whatever physical condition a property is in at the time the contract is signed. May be controlled by state and local regulations.
Assumption

When a buyer assumes the loan payments and obligations of the seller. If the purchaser defaults, however, both the buyer and seller are responsible for the debt.
B
Broker

A licensed real estate professional who, typically, represents the seller of a property. A broker's duties might include determining market values, advertising properties for sale, showing properties to prospective buyers, and advising clients with regard to offers and related matters.
C
Clear title

A title to a property that is free of legal challenges to ownership.
Closing costs

Costs associated with the purchase of a home that must be paid at the sale closing. These could include mortgage fees, title insurance, appraisal and inspection fees and points.
Comparative market analysis

A listing of recent home sales in the neighborhood, used as a basis for price comparison. This is prepared by a real estate agent. Also known as a "comp."
Condominium

Piece of a large property that is owned as an individual unit. Ownership includes a non-exclusive interest in certain "common properties" controlled by the condominium organization.
Contingency

A contractual provision that renders an agreement incomplete until a designated event (such as an inspection or an escrow payment) occurs.
Co-op

Abbreviation for "cooperative," a portion of a large property whose owner has purchased exclusive rights to its use by buying a share of the corporation that owns the large property.
Co-signer

A person who assumes joint liability for a loan. The co-signer of a loan agreement is not necessarily, however, a co-owner.
Credit

A measurement of a person's ability to pay bills on time. Several companies track individuals' credit histories by detailing late or missed payments on loans, credit cards and other debts.
Credit report

Used by lenders to determine a potential borrower's creditworthiness. Independent sources compile the report, which lists the borrower's debts, liabilities and assets.
D
Deed

A document that transfers real estate from one party to another. Officially recorded in government records.
E
Easement

A landowner can grant a second party the right to use land in a certain way. For example, if you need to cross your neighbor's property to access your garage, you would ask your neighbor to grant you an easement. Easements may restrict changes a buyer can make to a property.
Encroachment

Anything belonging to one landowner that extends onto an adjacent landowner's property is considered an encroachment. A fence that is a few inches over the property line is one example.
Encumbrance

A problem with the title to a property that does not affect the transfer of ownership.
Equity

The actual cash value of property after all claims against the property have been paid.
F
Fair Credit Reporting Act

A federal law that gives consumers the right to see their credit records and correct any mistakes.
Front ratio

The proportion of a purchaser's income that lenders will allow for principal, interest, taxes and insurance on a property. Used in the evaluation of a loan application.
Full disclosure

A requirement that sellers fully disclose all known defects in a property when selling it.
I
Inter vivos living trust

A trust established during the settlor's lifetime.
J
Judgment lien

An unpaid, court-ordered monetary judgment against a current or previous property owner.
L
Lien

Any claim against a property, including mortgages, unpaid taxes or repair bills or other unpaid charges. Prospective property buyers conduct a title search to determine whether any liens against the property exist. A lien must be filed or recorded with the local county government to be attached to a property title.
Lis pendens

A dispute or matter which is the subject of ongoing or pending litigation. Politicians will sometimes refuse to discuss a matter or an issue which is "lis pendens" because they do not want their comments to be perceived as an attempt to influence a court of law.
M
Mechanic's lien

Any payment owed to a contractor for work done on the property.
Mortgage lien

The unpaid balance on the mortgage loan.
Multiple listing service

The multiple listing service, or MLS, is a local database that lists homes for sale. Member real estate agents can access the MLS and show listed homes to potential buyers.
O
Offer

A bid for a home purchase. Generally, it is made in writing. Offers may be withdrawn without penalty prior to acceptance or rejection; if accepted, the offer becomes binding.
Option

The right to buy or sell property or sign a contract, based upon certain terms and conditions. Usually applicable to specific time frames during which the "option" may be exercised.
P
Plat

A map that shows all boundaries of a piece of property.
Preapproval

A process whereby a potential home buyer secures a guaranteed mortgage approval before making an offer on a house. A lending institution guarantees in writing to grant a loan for a specified amount. Not to be confused with prequalification. (See the full article on preapproval.)
Prequalification

Some lenders "prequalify" mortgage applicants in less than an hour by performing cursory checks. Seldom can a lender fully check an applicant's credit, asset and debt status this quickly, so final approval typically takes at least a few more days. Though such preliminary prequalifications may soon lead to a full preapproval, there is no guarantee until the applicant receives a letter, certificate or wallet-size card bearing the mortgage-holder's name and maximum loan amount.
R
Recording fee

Fee charged by a government for entering into the public record a real estate purchase or sale.
Rescission

Cancel or revoke of sale.
Right of first refusal

A priority arrangement that grants a particular prospective buyer the first right to purchase a property, given certain agreed-upon conditions.
S
Self-amortization

Occurs when monthly payments allow a loan to be repaid, including principal and interest, over its terms without any balloon payments.
Settlement (Closing)

The process by which all financial dealings and contractual arrangements are completed for the buyer and seller. At the time of settlement, or closing, all debts are paid, adjustments made and money disbursed, and a deed is prepared in the new owner's name.
Survey

A professional examination of a property. A survey usually will reveal the size of a property, its boundary distances, ground contours and where improvements or alterations have been made.
T
Tax lien

A type of lien placed on a title when the owner has not paid property or assessment taxes or other state and federal taxes.
Take-back

A loan made directly from the seller to the buyer.
Tax basis

The value of your home for tax purposes.
Title

Evidence of the right of property ownership; can be held solely, jointly, in common or in corporate or partnership form.
Title company

A company that performs and insures title searches. Usually selected by the seller, they sometimes work as a lender's agent. Depending on the preferences of the seller, buyer and others involved in the sale, the closing might take place at the title company's offices.
Title defect

Anything that is wrong with a title -- including an easement, encroachment or lien -- that has not been recorded with the city building department or the county recorder's office.

Title insurance

Insurance that protects a property owner against defects to or claims against a property. Typically purchased by the buyer upon closing, sometimes as required by the lender. Title companies issue the policies.
Townhome

A residence, often including two or three stories, that is connected by a common wall to another residence.
W
Walk-through

A final tour of a home prior to the sale closing in which any defects are noted.
Warranty

A protection plan, generally paid for by the seller, that protects the buyer against major repair expenses and breakdowns. Warranties are assigned to specific items, usually major appliances or systems on the property.