

REAL ESTATE GLOSSARY

ACRE - 43,560 square feet. A measurement of area.

ADDENDUM - A supplement to any document that contains additional information pertinent to the subject. Appraisers use an addendum to further explain items for which there was inadequate space on the standard appraisal form.

AGENT - A person who has been appointed to act on behalf of another for a particular transaction.

AMENITY - Any feature of a property that increases its value or desirability.

AMORTIZATION - The repayment of a loan through regular periodic payment.

AMORTIZATION SCHEDULE - The breakdown of individual payments throughout the life of an amortized loan, showing both principal contribution and debt service (interest) fees.

ANNUAL PERCENTAGE RATE (APR) - The rate of annual interest charged on a loan.

ANNUITY - The sum of money paid at regular intervals, often annually.

APPRAISAL - A "defensible" and carefully documented opinion of value. Most commonly derived using recent sales of comparable properties by a licensed, professional appraiser.

APPRAISAL REPORT - The end result of the appraisal process, usually consists of one major, standardized form as well as all supporting documentation and additional detail information. The purpose of the report is to convey the opinion of value of the subject property and support that opinion with corroborating information.

APPRAISED VALUE - An opinion of the fair market value of a property as developed by a licensed, certified appraiser following accepted appraisal principals.

APPRAISER - An educated, certified professional with extensive knowledge of real estate markets, values and practices. The appraiser is often the only independent voice in any real estate transaction with no vested interest in the ultimate value or sales price of the property.

APPRECIATION - The value of a property according to jurisdictional tax assessment.

ASSESSED VALUE - The value of a property according to jurisdictional tax assessment.

ASSESSMENT - The function of assigning a value to a property for the purpose of levying taxes.

ASSESSOR - The jurisdictional official who performs the assessment and assigns the value of a property.

ASSET - Any item of value which a person owns.

BANKRUPTCY - When a person or business is unable to pay their debts and seeks protection of the state against creditors.

BROKER - An individual who facilitates the purchase of property by bringing together a buyer and a seller.

BUILDING CODE - Regulations that ensure the safety and material compliance of new construction within a municipality. Building codes are localized to ensure they are adequate to meet the risk of common hazards.

CAPITALIZATION (CAP) RATE - The percentage rate of return estimated from the net income of a piece of property.

CAPITAL - Accumulated goods and money which is most often used to generate additional income.

CAPITAL EXPENDITURE - An outlay of funds designed to improve the income-producing capabilities of an asset or to extend its economic life.

CERTIFICATE OF TITLE - A document designating the legal owner of a parcel of real estate. Usually provided by a title or abstract company.

CLOSING - The process whereby the sale of a property is consummated with the buyer completing all applicable documentation and paying all appropriate costs associated with the sale.

CLOSING COSTS - All appropriate costs generated by the sale of property which the parties must pay to complete the transaction. Costs may include appraisal fees, origination fees, title insurance, taxes and any points negotiated in the deal.

CLOSING STATEMENT - The document detailing the final financial arrangement between a buyer and seller and the costs paid by each.

COMMISSION - A percentage of the sales price or a fixed fee negotiated by an agent to compensate for the effort expended to sell or purchase property.

CONTRACT - A legally binding agreement, oral or written, between two parties.

DEED - A document indicating the ownership of a property.

EARNEST MONEY DEPOSIT - A cash deposit made to a home seller to secure an offer to buy the property. This amount is often forfeited if the buyer decides to withdraw his offer.

EASEMENT - The right of a non-owner of property to exert control over a portion or all of the property. For example, power companies often own an easement over properties for access to their power lines.

EMINENT DOMAIN - The legal process whereby a government can take ownership of a piece of property in order to convert it to public use. Often, the property owner is paid fair-market value for the property.

ENCROACHMENT - A building or other improvement on one property that invades another property or restricts its usage.

ENCUMBRANCE - A claim against a property.

FLOOR PLAN - The representation of a building which shows the basic outline of the structure, as well as detailed information about the positioning of rooms, hallways, doors, stairs and other features. Often includes detailed information about other fixtures and amenities.

IMPROVEMENTS - Any item added to vacant land with the intent of increasing its value or usability.

INTEREST RATE - A percentage of a loan or mortgage value that is paid to the lender as compensation for loaning funds.

INVESTMENT PROPERTY - Any piece of property that is expected to generate a financial return. This may come as the result of periodic rents or through appreciation of the property value over time.

LEASE - A contract between a property owner and a tenant specifying the payment amount, terms and

conditions, as well as the length of time the contract will be in force.

LEGAL DESCRIPTION - The description of a piece of property, identifying its specific location in terms established by the municipality or other jurisdiction in which the property resides. Often related in specific distances from a known landmark or intersection.

LENDER - The person or entity who loans funds to a buyer. In return, the lender will receive periodic payments, including principal and interest amounts.

LIABILITIES - A person's outstanding debt obligations.

LIEN - Any claim against a piece of property resulting from a debt or other obligation.

LINE OF CREDIT - An extension of credit for a certain amount for a specific amount of time. To be used by the borrower at his discretion.

LIQUID ASSET - Any asset which can be quickly converted into cash at little or no cost, or cash itself.

LOAN - Money borrowed, to be repaid with interest, according to the specific terms and conditions of the loan.

LOCK-IN - An agreement between a lender and a borrower, guaranteeing an interest rate for a loan if the loan is closed within a certain amount of time.

MATURITY - The date on which the principal balance of a financial instrument becomes due and payable.

PRIME RATE - The interest rate that banks and other lending institutions charge other banks or preferred customers.

PRINCIPAL - The amount owed on a mortgage which does not include interest or other fees.

PRINCIPAL BALANCE - The outstanding balance of principal on a loan. Does not include interest due.

PROPERTY - Any item which is owned or possessed.

PURCHASE AGREEMENT - A written contract signed by the buyer and seller stating the terms and conditions under which a property will be sold.

RAW LAND - Any land which has not been developed.

REAL ESTATE AGENT - A licensed professional who facilitates the buying and selling of real estate.

RECORDER - A local government employee whose role it is to keep records of all real estate transactions within the jurisdiction.

RECORDING - The filing of a real estate transaction with the appropriate government agent. A real estate transaction is considered final when it is recorded.

SALE PRICE - The actual price a property sells for, exclusive of any special financing concessions.

SECURITY - The property is used as collateral for a loan.

SURVEY - A specific map of a piece of property that includes that legal boundaries and any improvements or features of the land. Surveys also depict any rights-of-way, encroachments or easements.

TITLE - A specific document which serves as proof of ownership.

TITLE COMPANY - An organization which researches and certifies ownership of real estate before it is bought or sold. Title companies also act as the facilitator ensures all parties are paid during the real estate transaction.