

ABCDEFGHIJKLMNOPQRSTUVWXYZ

-A-

- 1) Abstract of Title: A condensed history or summary of all transactions affecting a tract of land which includes copies of recorded documents and related court filings.
- 2) Acceleration Clause: A provision that may be found in a mortgage which requires that the balance of the loan be paid in full if regular mortgage payments are not made or for breach of other conditions of the mortgage.
- 3) Acknowledgement: An attestation or swearing to a fact to make it legal, especially before a notary public.
- 4) Adjustable rate mortgage (ARM): A loan that does not have a fixed interest rate but rather has an interest rate that adjusts periodically based upon the terms and conditions in the loan.
- 5) Adjustment Interval: The time between changes in the interest rate and/or monthly payment, typically one, three or five years depending upon the index of an adjustable rate mortgage.
- 6) Adverse Possession: Possession may be acquired without a deed of conveyance under the law if the possession is open, hostile, notorious and hostile to the interest of the owner for the time frame set out in the state statute.
- 7) Affidavit: A written statement wherein the Affiant attest that the facts set out therein are true which is signed in the presence of a notary public.
- 8) Agreement of Sale: A contract between the parties upon the mutual agreement of the purchaser and seller, which may also be referred to as a purchase agreement or sales agreement.
- 9) ALTA (American Land Title Association): The trade association of the title insurance industry, which has adopted certain insurance policy forms to standardize coverage on a national basis.
- 10) Amenity: A perk or aspect of a property that increases or enhances its value. A private pool within a residential development community is an amenity.

- 11) Amortization: The payments required to pay off a loan at the end of a fixed period, including accrued interest on the outstanding balance.
- 12) Annual Percentage Rate (APR): The full cost of a loan including interest and loan fees expressed as a yearly percentage rate. Because all lenders apply the same rules in calculating the annual percentage rate, it provides consumers with a good basis for comparing the cost of loans.
- 13) Appraisal: An estimate of the value of property, made by a qualified appraiser.
- 14) Appurtenance: A right or privilege to use someone else's land for a specific reason that typically crosses property adjacent to the user, such as a right of way to a highway.
- 15) Assessment: A local tax levied against a property for a specific purpose such as a street pavement.
- 16) Assignment: The act of transferring an interest, such as a loan secured by a mortgage, from one person to another or the instrument or paper by which one person transfers such ownership to another.
- 17) Assumption of Mortgage: An agreement by deed or other form, through which a buyer takes over the obligation of an existing mortgage of another person, usually the prior owner. The seller remains secondarily liable unless released by the lender from this obligation.
- 18) Attorney's Opinion: A written statement by an attorney as to the validity of a title, arrived at after investigation of the history of the title as recorded in the public records.
- 19) Attorney-in-Fact: A person who, acting as agent, is given written authorization by another person to transact business for him or her out of court, also known as Power of Attorney.
- 20) All-Inclusive Title insurance: A Title Insurance Policy that includes all charges in one price. For example, in Pennsylvania there is only one charge for the Lender's Title Insurance Policy and Owners Title Insurance Policy.
- 21) Amortize: To reduce a debt by tendering regular periodic payments that include amounts applicable to both principal and interest.
- 22) Annual Percentage Rate: A measure of the cost of the credit that must be reported by lenders under Truth in Lending regulations, which considers the interest rate and up-front charges paid by borrower so may be higher than the actual mortgage rate.

- 23) Assumption: A mortgage that allows a new owner to take over payments. The original borrower remains liable on the mortgage note.

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- 24) Back Title: Result of a previous title search, which may qualify the holder for a reissue rate.
- 25) Balloon Mortgage: A mortgage with a note that calls for the minimum payment of principal and the payment of interest at regular intervals, usually for 7 to 10 years, and the payment is usually amortized over 30 years. This type of note requires a substantial final payment known as the balloon payment, which represents all the remaining principal.
- 26) Balloon Payment: The final substantial payment on a loan, where the required payments have been amortized over 30 years to keep the monthly payments low, but the term for payoff of the principal is only 7 years.
- 27) Beneficiary: A lender secured by a deed of trust or one for whose benefit a trust is created.
- 28) Binder: Sometimes called “preliminary certificate” or “title commitment.” (1) A preliminary report as to the condition of a title and a commitment to issue a title insurance policy in a certain manner when certain conditions are met. (2) A deposit in escrow of a small part of the purchase price of real estate as evidence of good faith and to find an agreement to purchase. (3) Written evidence of temporary hazard and/or windstorm and flood insurance coverage issued by an insurance agent, which must be replaced by a permanent policy.
- 29) Bridge Loan (also called Swing Loan): A loan extended to enable the borrower to purchase new real estate, when the proceeds of the sale of another property they own will be used to repay the loan, but the old property sale is delayed and the funds cannot be obtained prior to the closing of the borrower’s new purchase.
- 30) Building Line or Setback: Distances from the ends and/or sides of the lot beyond which construction may not extend. The building line may be established by a filed plat of subdivision, by restrictive covenants in deeds or leases, by building codes, or by zoning ordinances.
- 31) Buy-down: When the lender and/or the homebuilder subsidize the mortgage by lowering the interest rate during the first few years of the loan. While the payments initially are low, they will increase when the subsidy expires.

- 32) Claim: An adverse right or interest asserted by one party against another or against an insurer or indemnitor. Claims may arise from unpaid debts or taxes, as well as from hidden title defects such as fraud, forgery, missing heirs, etc.
- 33) Clear Title: Real property ownership free of liens, defects, encumbrances or claims.
- 34) Closing Agent: Entity authorized by the lender to conduct the property transaction when the buyers execute the mortgage, promissory note, settlement statement and other required documents, which may be a title company or an attorney.
- 35) Closing Day: The day on which the formalities of a real estate sale are concluded. The certificate of title, abstract, and deed are generally prepared for the closing by an attorney and this cost charged to the buyer. The buyer signs the mortgage, and closing costs are paid. The final closing merely confirms the original agreement reached in the agreement of sale.
- 36) Closing Statement: A form used at closing which gives an account of the funds received and disbursed at the closing, including escrow deposits for taxes, hazard insurance, and mortgage insurance for the escrow account, etc.
- 37) Commission: Money paid to a real estate agent or broker by the seller as compensation for finding a buyer and completing the sale.
- 38) Commitment for Title Insurance: A written promise to insure a tract of land which is prepared by the title insurance company, after the title is searched in the public records, indicating the status of the title and setting forth requirements to be satisfied upon closing.
- 39) Common Elements: In a Condominium or Planned Urban Development (PUD), such as a Homeowner's Association, any land or improvements owned jointly by all the owners in the project, such as a pool or clubhouse. Common Elements can also include grassy areas and walkways if the owners in the condo or PUD collectively pay for maintenance of the area.
- 40) Condemnation: The taking of private property for public use by a government unit, against the will of the owner. Condemnation may also be a determination by a governmental agency that a particular building is unsafe or unfit for use.
- 41) Conditional Offer: An offer to buy a property, but subject to certain circumstances.
- 42) Condominium: A form of ownership of real property, wherein title to a particular unit is vested in an entity (i.e., an individual or couple), together with a

- proportionate interest in certain common areas. Title to the common areas is in terms of percentages and refers to the entire project, less the separately owned units.
- 43) Contractor: In the construction industry, a contractor is one who contracts to erect buildings or portions of them. There are also contractors for each phase of construction: heating, electrical, plumbing, air conditioning, road building, bridge and dam erection, and others.
- 44) Cooperative Housing: An apartment building or a group of dwellings owned by a corporation, the stockholders of which are the residents of the dwellings. It is operated for their benefit by their elected board of directors. In a cooperative, the corporation or association owns title to the real estate. A resident purchases stock in the corporation which entitles him to occupy a unit in the building or property owned by the cooperative. While the resident does not own his unit, he has an absolute right to occupy his unit for as long as he owns the stock. Therefore, when one of these stockholders wishes to “sell” his apartment, he is actually selling his share of stock in the corporation and conveying the right to live in the apartment.
- 45) Covenant: A formal agreement or contract between two parties in which one party gives the other certain promises and assurances, such as covenants of warranty in a warranty deed.
- 46) Curtsey: A husband’s fractional life or fee estate in the property of his deceased wife. By statute, in most states it is a life estate or fee simple in one third of the land the wife owned during their marriage.
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- 47) Deposit or Earnest Money: Advance payment of part of the purchase price to bind a contract for property.
- 48) Due-on-Sale Clause: A provision in a mortgage or deed of trust that requires the loan to be paid in full if a property is sold or transferred tract of land.
- 49) Debt-to-Income Ratio: The ratio, expressed as a percentage, which results when a borrower’s monthly payment obligation on long-term debt is divided by his/her gross monthly income. See housing expenses-to-income ratio.
- 50) Dedication: The setting aside of certain land by the owner and declaring it to be for public use. Examples: streets, sidewalks and parks.
- 51) Deed: A document by which title (interest) to real property is transferred from one person to another. The deed should contain an accurate legal description of the property being transferred, should be signed and witnessed according to the laws of the State where the property is located, and should be delivered to the purchaser

at closing day. There are two parties to a deed: the grantor and the grantee. There are different types of deeds for different circumstances, such as a survivorship deed.

- 52) Deed of Trust: Like a mortgage, a security instrument whereby real property is given as security for a debt. However, in a deed of trust there are three parties to the instrument: the borrower, the trustee, and the lender, (or beneficiary). In such a transaction, the borrower transfers the legal title for the property to the trustee who holds the property in trust as security for the payment of the debt to the lender or beneficiary. If the borrower pays the debt as agreed, the deed of trust becomes void. If, however, he defaults in the payment of the debt, the trustee may sell the property at a public sale, under the terms of the deed of trust. In most jurisdictions where the deed of trust is in force, the borrower is subject to having his property sold without benefit of legal proceedings. A few States have begun in recent years to treat the deed of trust like a mortgage.
- 53) Deed Restriction: A provision contained in a deed imposing restrictions or limits on the use or occupancy of the real estate described in the deed, or the type, size, purpose or location of improvements to be constructed on it.
- 54) Default: Failure to meet legal obligations in a contract, specifically, failure to make the monthly payments on a loan.
- 55) Deferred Interest: When a mortgage is written with a monthly payment that is less than required to satisfy the note rate, the unpaid interest is deferred by adding it to the loan balance. See negative amortization.
- 56) Department of Veterans Affairs: An independent agency of the federal government that guarantees long-term, low or no down payment mortgages to eligible veterans.
- 57) Depreciation: A loss in value in real property brought about by age, action of the elements, physical deterioration, functional or economic obsolescence. Broadly, a loss in value from any cause. The opposite of appreciation.
- 58) Developer: A person or entity who prepares raw land for building sites, and sometimes builds on the site.
- 59) Documentary Stamps: A State tax, in the forms of stamps, required on deeds and mortgages when real estate title passes from one owner to another. The amount of stamps required varies with each State. Some states do not require stamps.
- 60) Dower: A fractional estate for life or fee simple to which a married woman or man by statute is entitled on the death of his/her spouse. In most states, it is a life or fee estate of one third of the value of all land which the husband/wife owned during their marriage.

- 61) Equity: The interest or value that an owner has in real estate over and above the debts against it.
- 62) Escrow: A procedure whereby a disinterested third party handles legal documents and funds on behalf of a seller and buyer or money that is kept by the mortgage company to ensure that taxes can be paid in full when due. Escrow is paid up-front and is added to the mortgage payment monthly over the principal and interest figure.
- 63) Earnest Money: The deposit money given to the seller or his agent by the potential buyer upon the signing of the agreement of sale to show that he is serious about buying the house. If the sale goes through, the earnest money is applied against the down payment. If the sale does not go through, the earnest money will be forfeited or lost unless the binder or offer to purchase expressly provides that it is refundable.
- 64) Encroachment: An obstruction, building, or part of a building that intrudes beyond a legal boundary onto neighboring private or public land, or a building extending beyond the building line.
- 65) Encumbrance: A legal right or interest in land that affects a good or clear title, and diminishes the land's value. It can take numerous forms, such as zoning ordinances, easement rights, claims, mortgages, liens, charges, a pending legal action, unpaid taxes, or restrictive covenants. An encumbrance does not legally prevent transfer of the property to another. A title search is all that is usually done to reveal the existence of such encumbrances, and it is up to the buyer to determine whether he wants to purchase with the encumbrance, or what can be done to remove it.
- 66) Endorsements to Title Insurance (Endorsement Fees): Mortgagee Title Insurance issued to the lender is required by law to have certain exclusions from coverage, as do the underwriters of title insurance. These exclusions modify the master policy and attach specific provisions to the insurance coverage, i.e., variable interest rates (ARM) and balloon mortgages, condominium and PUD (such as townhomes, homeowner's associations).
- 67) Equal Credit Opportunity Act (ECOA): Is a federal law that requires lenders and other creditors to make credit equally available without discrimination based on race, color, religion, national origin, age, sex, marital status or receipt of income from public assistance programs.
- 68) Estate: The right, title or interest, which a person has in any property.

- 69) Estoppel: A legal restraint that stops or prevents a person from contradicting or reneging on his previous position or previous asserts or commitment.
- 70) Examination: The study of the chain of title and all encumbrances and liens thereto, to determine their effect and condition in order to reach a conclusion as to the status of the title.
- 71) Execute: To sign a legal instrument. A deed is said to be executed when it is signed, witnessed, notarized and delivered properly to the recipient.

-F-

- 72) FNMA (Fannie-Mae): The Federal National Mortgage Association, a federally sponsored private corporation which provides a secondary market for housing mortgages.
- 73) Fixed Rate Mortgages: Mortgages with a fixed interest rate. The payment for principal and interest will not change for the life of the loan, but the monthly payment may change if taxes or insurance rates change.
- 74) FHA: The Federal Housing Administration, An agency of the federal government that insures private loans for financing of new and existing housing and for home repairs under government approved programs.
- 75) FHLMC (Freddie Mac) - Federal Home Loan Mortgage Corporation: An affiliate of the Federal Home Loan Bank that creates a secondary market in conventional residential loan and FHA and VA loans by purchasing mortgages from members of the Federal Reserve System and the Federal Home Loan Bank System.
- 76) Foreclosure: Legal process by which a mortgagor of real property is deprived of his interest in that property due to failure to comply with terms and conditions of the mortgage.
- 77) Federal National Mortgage Association (FNMA): A tax-paying corporation created by Congress that purchases and sells conventional residential mortgages as well as those insured by FHA or guaranteed by VA. Also called "Fannie Mae."
- 78) Federal Reserve System (The Fed): The central banking system that regulates the supply of money, it includes 12 regional "banker's banks", their branches and all national and state banks that choose to be members. The Board of Directors of the system regulates the prime interest rate, which affects interest rates in all banks.
- 79) Fee Simple: An estate in which the owner is entitled to the entire property, with unconditional power of disposition (sell) during the owner's life, and which descends to the heirs upon the owner's death if the owner dies without a will (intestate) or can be devised (given to another) by will (testate).

- 80) FHA Mortgage Insurance: FHA requires a fee (up to 2.25 percent of the loan amount) paid at closing to insure the loan. In addition, FHA mortgage insurance requires an annual fee of up to 0.5 percent of the current loan amount, paid in monthly installments. The lower the down payment, the more years the fee must be paid.
- 81) Fiduciary: One who hold a position of trust and confidence requiring scrupulous good faith and candor. In connection with real estate transactions, fiduciary responsibility belongs to the closing agent disbursing funds and the designated holder of escrowed monies in a closing, i.e., repair or tax payment escrows.
- 82) Fiscal Year: The time period encompassing 365 days which a company maintains financial records. This may or may not correspond with calendar year. In real estate transactions, this is more relevant for commercial closings.
- 83) Fixtures: Personal property that is attached to real property and is legally treated as real property while it is so attached. Examples: fences, window blinds and chandeliers.
- 84) Forgery: The fraudulent signing of another's name to an instrument such as a deed, mortgage or check.

-G-

- 85) Grantee: A person who acquires an interest in land by deed, grant or other written instrument.
- 86) Grantor: A person who, by a written instrument, transfers to another interest in land.
- 87) General Warranty Deed: A deed which conveys not only all the grantor's interests in and title to the property to the grantee, but also warrants that if the title is defective or has a "cloud" on it (such as mortgage claims, tax liens, title claims, judgments, or mechanic's liens against it) the grantee may hold the grantor liable.
- 88) GNMA (Ginnie Mae): A federally owned corporation formed to invest in mortgages not suitable for Fannie Mae. Administered by the U.S. HUD, Ginnie Mae invests in relatively high-risk mortgages.
- 89) GNMA Mortgaged Backed Securities: Securities guaranteed by GNMA and issued primarily by mortgage bankers. The GNMA security is pass-through in nature, and the banker is protected by the "full faith and credit of the U.S. Government." It is collateralized by FHA and VA mortgages.

- 90) Grant: To bestow or confer, with or without compensation, real or personal property, such as land or money by one having control or authority over the property.
- 91) Gross Income: Total dollar amount of all income resources before deductions for taxes, insurance, etc.

-H-

- 92) Heir: One who might inherit or succeed to an interest in lands under the rules of law applicable where an individual dies without leaving a will.
- 93) Hazard Insurance: A form of insurance (known as Homeowner's Insurance) in which the insurance company protects the insured from specified losses, such as fire, windstorm and the like.
- 94) Hereditaments: Any and all kinds of estates, interest and rights in real estate that can be inherited.
- 95) Hidden Defect: Any claim on a property that does not appear in the public records, for example, an unknown heir or an unrecorded municipal utility lien.
- 96) Homeowner's Association: An organization of homeowners living in a particular development, whose major purpose is to maintain and provide community services for the enjoyment of the residents. In real estate it is a PUD and often charges a maintenance fee for providing lawn and yard care, and maintenance of common areas in the development, such as a recreational area.
- 97) Homestead Rights (Estate): The rights of the head of a family or the household residents in real estate that is owned and occupied as a residence. Some states grant statutory exemptions, protecting homestead property against the rights of creditors. Property tax exemptions for all or part of the tax) are also available in some states. Statutory requirements to establish a homestead may include a formal declaration to be recorded, or at the least to file a declaration with a government property appraiser, assessor or collector.
- 98) Housing Expenses-to-Income Ratio: The ratio, expressed as a percentage, which results when a borrower's monthly housing expenses are divided by his/her gross monthly income. See debt-to-income ratio.

-I-

- 99) In Personam: Directed at specific persons rather than against property or generally for all people.
- 100) In Rem: Pertaining to property or people in general.

- 101) Interest Only Payments: A mortgage where only the interest is paid on a monthly basis. This means that the buyer gets no equity. This is only used on some purchase money mortgages where the buyer is responsible for paying the seller the entire amount of the second mortgage at some time in the future.
- 102) Instrument: A written document.
- 103) Improvements: Man-made additions to the land that may or may not add value to it, including structures, building, or facilities placed on or in land, e.g., buildings, streets, sewers, water lines.
- 104) Index: (1) An alphabetical listing in the public records of the names of parties to recorded real estate instruments together with the book and page number of the record. (2) The listing in abstract and title plans of recorded real estate instruments in groups according to land descriptions, known as a geographic index.
- 105) Inspection: Examination of a property to see that it meets the standards of the contract, of the lender, and of the buyer.
- 106) Installment Note: A note usually given in consumer and personal credit transactions in which the principal is payable in specified installments, together with interest on the unpaid balance until the note is paid in full. This note is usually of shorter duration than a promissory note or mortgage note. An installment note may be but is not necessarily secured by real property.
- 107) Institutional Lender: A financial institution that invests in mortgages and carries them in its own portfolio. Mutual savings banks, life insurance companies, commercial banks, pension and trust funds, and savings and loan associations are examples of institutional lenders.
- 108) Interest Rate: The percentage rate charged for the use of money, usually quoted on an annual basis.

-J-

- 109) Judgment: A decree of a court.
- 110) Joint Tenants: Two or more entities owning an undivided interest in property. The interests must be equal, accruing under the same conveyance (deed) and beginning at the same time. Upon the death of a joint tenant, the interest passes to the surviving joint tenants, rather than to the heirs of the deceased. Also see Tenants in Common and Tenants by the Entireties.

111) Jumbo Loan: A loan, which is larger (more than \$252,700) than the limits set by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

112) Junior Mortgage: A mortgage lower in lien priority than another, i.e., Second Mortgage or Equity Line secured by real property already secured by a mortgage.

-L-

113) Loan origination fees: Money required by the lender to be paid to start the work of approving a mortgage.

114) Leasehold Interest: A form of property interest in which the holder of the interest has the right to use or occupy, but not to sell or transfer the property. The holder of a Leasehold Estate has the right to build on and to occupy land for a specified lease term, but the holder of Fee Simple Estate to the land retains the right to sell the land at any time (subject to the lease) and to take the buildings as well at the end of the lease. Some condominium PUD projects lease land and/or recreational.

115) Legal Description: A method of geographically describing a parcel of land, which is recognized in a court of law, and which is sufficient to locate and identify a property without oral testimony.

116) Lessee: Person who pays for the privilege of using a specific piece of property, as stipulated in a lease.

117) Lessor: The party that leases property to a lessee.

118) License: Permission to go upon or use the land of another, the permission being a personal privilege and not constituting an interest in the land.

119) Lien: A claim by one person on the property of another as security for money owed. Such claims may include obligations not met or satisfied, judgments, unpaid taxes, materials, or labor.

120) Lien Waiver: A waiver of mechanics' lien rights, signed by contractors or subcontractors, which may also be known as "waiver of liens."

121) Lis Pendens: A legal notice intending to bind third parties of litigation claiming an interest in real estate and preventing sale of same until judicial disposition of the litigation.

122) Loan Maturity: Date when a note becomes due and payable, the date when the amortization schedule indicates the last payment will have been made.

- 123) Loan Policy: Also called “mortgagee policy.” A title insurance policy insuring a mortgagee (lender), or beneficiary under a deed of trust, against loss caused by invalidity or unenforceability of a lien, or loss of priority of the mortgage or deed of trust.
- 124) Loan-to-Value Ratio: The relationship between the amount of the mortgage loan and the appraised value of the security, expressed as a percentage of the appraised value.
- 125) Lot: Generally, any portion or parcel of real property. Usually refers to a portion of a subdivision.

-M-

- 126) Mortgagee: A designation for the mortgage lender on property.
- 127) Market Value: The price that a home will sell for on the market, based on comparisons to similar homes that have sold recently in the same area.
- 128) Marketable Title: A title that is free and clear of objectionable liens, clouds, or other title defects. A title which enables an owner to sell his property freely to others and which others will accept without objection.
- 129) Maturity: The date on which a note, draft, acceptance or bond becomes due and payable.
- 130) Mechanic’s Lien: A lien on real estate, created by operation of law, that secures the payment of debts due to persons who perform labor or services or furnish materials incident to the construction of buildings and improvements on the real estate.
- 131) Metes and Bounds: A land description in which boundaries are described by courses, directions, distances and monuments.
- 132) Monthly Assessment: A monthly fee paid to the Homeowner’s Association or a Condominium Association (or a firm that handles collection of the fees for the association), which covers the costs of maintaining common areas and often includes money escrowed for future maintenance costs such as roofs, so as to avoid future special assessments.
- 133) Mortgage: A lien or claim against real property given by the buyer in the form of writing to the lender as security for money borrowed. Under government-insured or loan-guarantee provisions, the payments may include escrow amounts covering taxes, hazard insurance, water charges, and special assessments. Mortgages generally run from 10 to 30 years, during which the loan is to be paid off.

- 134) Mortgage Insurance: Money paid to insure the lender in case of default when the down payment is less than 20 percent of the purchase price. See private mortgage insurance, FHA mortgage insurance. Mortgage insurance has nothing to do with home-owners insurance or life insurance.
- 135) Mortgage Note: A written agreement to repay a loan. The agreement is secured by a mortgage, serves as proof of an indebtedness, and states the manner in which it shall be paid. The note states the actual amount of the debt that the mortgage secures and renders the mortgagor personally responsible for repayment.
- 136) Mortgage Portfolio: The aggregate of mortgage loans held by an investor, or serviced by a mortgage banker.
- 137) Multiple Listing Service (MLS): The pooling in a central bureau of listings of properties for sale. These listings are held individually by members of a group of real estate brokers, with the agreement that any member of the group may sell the properties and, in the case of a sale, the commission will be divided between the broker making the sale and the broker who filed the listing.

-N-

- 138) Net Worth: The difference between total assets and liabilities of an entity (individual, corporation, etc.).
- 139) Notary Public: A public officer who takes acknowledgment of or otherwise attests or certifies deeds and other writings or copies of them, usually under his official seal to make them authentic, and takes affidavits, depositions and protests of negotiable instruments.
- 140) Note: A written promise to pay a certain amount of money, at a certain time, or in a certain number of installments. It usually provides for payment of interest and its payment is at times secured by a mortgage. * The mortgage note document gives the mortgage company "in rem" jurisdiction over the mortgagor. * The promissory note document gives the mortgage company "in personam" jurisdiction over the mortgagor.

-O-

- 141) One-year Adjustable: A loan whose annual rate changes yearly. The rate is usually based on movements of a published index plus a specified margin, chosen by the lender.
- 142) Origination Fee: The fee charged by a lender to prepare loan documents, make credit checks, inspect and sometimes appraise a property.

143) Owner's Policy: A title insurance policy issued to a property's owner it protects the owner's equity against hidden title defects.

-P-

144) P.O.C.: Paid outside of closing. Sometimes the lender requests this money before settlement. If you pay any charges before settlement, they should be written on the settlement sheet. They are written on the proper line outside of your column. They should also be marked P.O.C.

145) Point: A percentage point. Equal to one percent of the loan amount.

146) Power of Attorney: An instrument authorizing another to act on one's behalf as his agent or attorney.

147) PMM - Purchase Money Mortgage: A mortgage given by the seller simultaneously with the purchase of real estate to secure the unpaid balance of the purchase price.

148) Pro-Rate: To allocate between seller and buyer their proportionate share of an obligation paid or due.

149) Promissory Note: A promise to pay. The promissory note document gives the mortgage company "in personam" jurisdiction over the mortgagor.

150) Payee: The individual named in an instrument as the recipient of the sum shown. The payee, thus, is the part who benefits by the payment of an instrument.

151) Per Diem: A term meaning "by day."

152) Permanent Loan: A long term loan, usually ten years or more. Also called an "end loan".

153) Personal Property: All property subject to ownership which is not fixed or immovable. Personal property may be tangible or intangible. Tangible personal property consists of physical objects, whereas intangible personal property consists of property which cannot be physically touched, such as a patent, goodwill of a business, mutual funds and stocks, etc.

154) PITI: Abbreviation for principal, interest, taxes and insurance, all of which are lumped together in your monthly mortgage payment.

155) Plat: A map or chart of a lot, subdivision or community drawn by a surveyor showing boundary lines, buildings, improvements on the land, and easements.

- 156) Points (loan discount points): Prepaid interest assessed at closing by the lender. Each point is equal to 1 percent of the loan amount (e.g. two points on a \$100,000 mortgage would cost \$2,000).
- 157) Prepaid Expenses: Expenses that have to be paid in advance by seller or buyer to create an escrow account for certain items, such as taxes.
- 158) Prescriptive Easement: A right to use another's property that is not inconsistent with the owner's rights and that is acquired by an open, notorious, adverse and continuous use for the statutory period, for example 20 years.
- 159) Prime Rate: The most favorable interest rate charged by the bank to their most creditworthy customers for short term loans, not mortgages.
- 160) Principal: The amount of debt, not including interest, on a loan.
- 161) Private Mortgage Insurance (PMI): In the event that you do not have a 20 percent down payment, lenders will allow a smaller down payment-as low as 3 percent in some cases. With the smaller down payment loans, however, borrowers are usually required to carry private mortgage insurance. Private mortgage insurance will usually require an initial premium payment and may require an additional monthly fee depending on the structure of the loan.
- 162) Prorate: To divide in proportion, proportionately, according to share interest or liability of each party. Payments such as property taxes, monthly condominium maintenance fees, assessments, and appliance contracts are prorated on a settlement statement (HUD).
- 163) PUD (Planned Unit Development): A comprehensive development plan for a large land area, usually including residences, roads, schools, recreational facilities, and service area plus commercial, office and industrial areas.

-Q-

- 164) Quitclaim Deed: A deed which transfers whatever interest the maker of the deed may have in the particular parcel of land. A quitclaim deed is often given to clear the title when the grantor's interest in a property is questionable. By accepting such a deed, the buyer assumes all the risks. Such a deed makes no warranties as to the title, but simply transfers to the buyer whatever interest the grantor has.

-R-

- 165) Real Property: Land and that which is affixed to it.

- 166) Reissue Rate: reduced rate of title insurance premium applicable in cases where the owner of the land has been previously insured in an owner's policy by the insurer within a certain time.
- 167) Real Estate: Also called “real property.” (1) Land and anything permanently affixed to the land, such as building, fences and those things attached to the buildings, such as light fixtures, plumbing and heating fixtures, or other such items that would be personal property if not attached.
- 168) Real Estate Broker/Agent: A representative who lists and or finds a buyer for the property on a commission basis. The broker does not have title to the property, but generally represents the owner.
- 169) Recision: The cancellation of a contract. With respect to home refinancing, the law that gives the homeowner three days to cancel a contract in some cases once it is signed if the transaction uses equity in the home as security.
- 170) Reconveyance: A document extinguishing the lien of a Deed of Trust after payment in full of the note. A Satisfaction of Mortgage is issued by a lender upon final payment of the note, and a Deed is issued by the holder of a Deed of Trust, upon final payment for the property.
- 171) Recording: The noting in a public (government) office of the details of a legal document, such as a deed or mortgage, affecting the title to real estate. When such an instrument is properly recorded, it is considered to be a matter of public record. Legally, that means that all subsequent purchasers are deemed to have constructive knowledge of that information.
- 172) Recording Fees: Fees charged by and paid to the county recorder’s office or other county entity for filing deeds and mortgages, and other documents related to land. All documents are filed for public record.
- 173) Redlining: Systematic exclusion of certain geographic areas usually high-risk, low income neighborhoods, from mortgage investment.
- 174) Regulation B: Prohibits discrimination by lenders on the basis of age, race, color, religion, national origin, sex, marital status, or receipt of income from public assistance programs. It establishes guidelines for gathering and evaluating credit information and requires written notification to the applicant in cases where credit is denied.
- 175) Regulation Z: Requires that uniform methods be used to compute the cost of credit extended to individuals for personal, family, household, or agricultural credit.
- 176) Release: To relieve from debt or security or abandon a right, such as the release of a mortgage lien from a part or all of the land mortgage.

- 177) Rent: Value or consideration paid for use or occupancy of land, buildings or dwelling units.
- 178) Resale: A sale of a home which is not the original sale from the builder or developer. When a development is still in construction, the developer may control resales by original owners.
- 179) Reserves: Funds set aside for a particular purpose, usually to protect the security of outstanding mortgage loans. Reserves are also held by condominium and homeowner associations for future maintenance needs, as a portion of the funds collected monthly, to reduce the need for future assessments for roof repairs, etc.
- 180) Restrictions (also Restrictive Covenant): Limitations on the use of property imposed or created by deeds or other documents in the chain of title. A restriction, for example, may prohibit the owner of using the property as a farm.

-S-

- 181) Sales Comparison Approach: A method of estimating market value by comparing similar properties which have recently sold. It's based on the supposition that an informed purchaser would pay no more for a property than the cost of acquiring a similar existing property in the same neighborhood. Realtors commonly provide "comps" to prospective sellers contemplating listing their property with a realtor.
- 182) Satisfaction of Mortgage: A document issued by the lender when the debtor has repaid all principal, interest and outstanding charges due for a loan, specifying the recording data of the original mortgage. This document is provided subsequent to the lender's receipt of the payoff check issued by the closing agent and is recorded in the public records.
- 183) Second Mortgage: A mortgage, the lien of which is subordinate to that of another mortgage.
- 184) Site Improvements: Improvements made to the land that may increase it's value, such as landscaping, water, sewer and other utilities.
- 185) Special Assessments: A special tax imposed on property, individual lots or all property in the immediate area, for road construction, sidewalks, sewers, streetlights, etc.
- 186) Subordination: The act or process by which a person's rights are ranked below the rights of others. For example, a second mortgagee's (lender's) rights are subordinate to those of the first mortgagee lender.

187) Survey: A map or plat made by a licensed surveyor showing the results of measuring the land with its elevations, improvements, boundaries, and its relationship to surrounding tracts of land. A survey is often required by the lender to assure them that a building is actually sited on the land according to its legal description.

-T-

188) Tax: As applied to real estate, an enforced charge imposed on persons, property or income, to be used to support the State. The governing body in turn utilizes the funds in the best interest of the general public.

189) Tenant in Common: Two or more entities owning an undivided interest in real estate. The interests need not be equal, and, in the event of the death of one of the owners, no right of survivorship accrues to the remaining owners, but the property passes to the decedent's heirs.

190) Tenants by the Entireties: A form of ownership by husband and wife whereby each owns the entire property. In the event of the death of one, the survivor owns the property, without probate.

191) Term: The period between the commencement date and termination date of a note, mortgage, legal document, or other contract.

192) Title: The instruments or documents by which a right of ownership is established or the ownership interest one has in the real estate.

193) Title Agency: Similar to other insurance agents, a title agency is authorized to issue title policies and prepare documents in connection with transactions for which it issues policies.

194) Title Commitment: A document or "binder" issued by a title insurance company that contains the conditions under which a policy of title insurance will be issued.

195) Title Covenants: Covenants ordinarily inserted in conveyances and in transfers of title to real estate for the purpose of giving protection to the purchaser against possible insufficiency of the title received. A group of such covenants known as "common law covenants" includes covenants against encumbrance.

196) Title Insurance: Protects lenders or homeowners against loss of their interest in property due to legal defects in title. Title insurance may be issued to a "mortgagee's title policy." Insurance benefits will be paid only to the "named insured" in the title policy, so it is important that an owner purchase an "owner's title policy", if he desires the protection of title insurance.

- 197) Title Insurance Fees: Fees charged to provide insurance which protects the insured from claims which may arise by reason of defects in the title of the property.
- 198) Title Plant: Also called “abstract plant” in some areas. A geographically filed assemblage of title information that helps in expediting title examinations, such as copies of previous attorneys’ opinions, abstracts, tax searches and copies or take-offs of the public records.
- 199) Title Search or Examination: A check of the title records, generally at the local courthouse, to make sure the buyer is purchasing a house from the legal owner and there are no liens, overdue special assessments, or other claims or outstanding restrictive covenants filed in the record, which would adversely affect the marketability or value of title.
- 200) Trustee’s Deed: An instrument used in many states, taking the place and serving the uses of a common-law mortgage, by which the legal title to real property is placed on one or more trustees, to secure the repayment of money or the performance of other conditions, or an instrument executed by a Trustee on behalf of the Trust to convey ownership of property from the Trust to another entity, which differs from a Warranty Deed in that no warranty of title is included.
- 201) Trustee: A party who is given legal responsibility to hold property in the best interest of or “for the benefit of” another. The trustee is one placed in a position of responsibility for another, a responsibility enforceable in a court of law.
- 202) Tax Service Fee: A fee paid to the mortgage company to verify that they actually pay the real estate taxes.
- 203) Title Insurance: Insurance against loss or damage resulting in defects or failure of title to a particular parcel of real property.
- 204) Title Insurance Binder or Commitment: A report issued by a title insurance company binding or committing the title insurance company to issue the form of policy designated in the commitment or binder upon compliance with and satisfaction of requirements set forth in the commitment or binder.
- 205) Transfer Taxes: Money paid to the county and or state when property is sold.

-V-

- 206) Veterans Administration: A mortgage guaranteed by the Department of Veterans Affairs.

-W-

- 207) Waiver: The voluntary and intentional relinquishment of a known right, claim or privilege.
- 208) Warehouse Fee: Many lenders must borrow funds on a short-term basis in order to originate loans, which are to be sold later in the secondary mortgage market or to investors. When the prime rate of interest is higher on short-term loans than on mortgage loans, the lender has an economic loss, which is offset by charging a warehouse fee.
- 209) Warranty: A guarantee from the seller to the purchaser whereby the seller assumes responsibility for present or future losses of the purchaser occasioned by deficiency or defect in the quality, condition or quantity of the thing sold, specifically, the provision in a deed, lease, or other instrument conveying or transferring an estate or interest in real estate under which the seller becomes liable to the purchaser for defects in or encumbrances on the title.
- 210) Warranty Deed: A deed which conveys not only all the grantor's interests in and title to the property to the grantee, but also warrants that if the title is defective or has a "cloud" (such as mortgage claims, tax liens, title claims, judgments or mechanic's liens) against it at the time of the conveyance of ownership, the grantee may hold the grantor liable.
- 211) Will: A written document or testamentary disposition of property naming the beneficiaries who inherit property upon the death of the maker or testator, which is also referred to as a Last Will and Testament.

-Z-

- 212) Zoning: Laws passed by local governments that regulate the size, type, structure, nature and use of land or buildings.