

# Real Estate Glossary

*Compliments of Wendy Schirmer, Realtor® Keller Williams Connected, Fort Mill, SC*

When it comes to real estate transactions, there are many important terms and concepts to be familiar with. Understanding these terms can help buyers and sellers navigate the real estate market more confidently and efficiently. Here is a more detailed explanation of some of the most commonly used real estate terms:



## A

**Adjustable-Rate Mortgage (ARM):** A mortgage with an interest rate that adjusts periodically based on changes in a specified index, resulting in changes to the borrower's monthly payment.

**Agent:** A licensed professional representing buyers or sellers in real estate transactions.

**Amortization:** A process where a mortgage is paid off gradually over time through scheduled payments or installments.

**Annual Percentage Rate (APR):** The annual cost of borrowing money expressed as a percentage, including interest and other fees.

**Appraisal:** A professional assessment of the value of a property conducted by a licensed appraiser based on factors such as location, condition, and comparable sales in the area.

**Appraisal Contingency:** A condition in a purchase agreement that allows the buyer to cancel the contract if the property does not appraise for the agreed-upon price.

**Assessed Value:** The value a municipality assigns a property to calculate property taxes.

**Assessment:** The process of assigning a value to a property for taxation purposes.

**Association Fees:** Regular payments made by homeowners to a homeowners association (HOA) to cover maintenance, repairs, and amenities for the community.

**Assumption:** The transfer of an existing mortgage loan from the seller to the buyer, typically requiring the buyer to meet specific credit and financial criteria.

## B

**Backyard:** The land area behind a residential property, typically used for outdoor activities, gardening, or landscaping.

**Balloon Mortgage:** A mortgage that requires a large payment (balloon payment) at the end of the loan term.

**Basement:** The lowest habitable level of a building, partially or entirely below ground level, often used for storage, recreation, or additional living space.

**Bridge Loan:** A short-term loan used to bridge the gap between purchasing a new property and selling an existing property, providing funds for the down payment or closing costs.

**Buyer's Agent:** A licensed real estate agent representing the buyer's interests in a real estate transaction. They help buyers find properties that meet their needs, negotiate offers, and navigate the closing process.

**Buyer's Market:** A market condition characterized by high inventory and low demand, resulting in favorable conditions for buyers, such as falling prices and negotiation power.

## C

**Certificate of Occupancy:** A document issued by a local government agency certifying that a property meets all building codes and is safe for occupancy.

**Certificate of Title:** A document issued by a title company or attorney verifying that the seller has legal ownership of the property and has the right to transfer it to the buyer.

**Closing:** The final stage of a real estate transaction where the property is transferred from the seller to the buyer and all necessary paperwork is completed.

**Closing Costs:** The fees and expenses associated with the purchase or sale of a property, typically paid by the buyer at the closing.

**Closing Disclosure:** A document that outlines the final terms and costs of a mortgage loan, provided to the borrower at least three days before closing.

**Closing Statement:** A document prepared by the closing agent that details the financial transactions and distribution

of funds in a real estate closing.

**Commission:** The fee paid to a real estate agent or broker for their services in a real estate transaction.

**Comparative Market Analysis (CMA):** A report prepared by a real estate agent that compares the prices of similar properties in the area (recently sold, currently listed, and expired) to determine the fair market value of a property.

**Condominium (Condo):** A type of housing where residents own individual units, while common areas are owned collectively.

**Conforming Loan:** A mortgage loan that meets the guidelines set by government-sponsored entities such as Fannie Mae and Freddie Mac.

**Contingency:** A condition that must be met for a real estate transaction, such as obtaining financing or completing a home inspection.

**Conventional Loan:** A mortgage loan not insured or guaranteed by a government agency, such as the Federal Housing Administration (FHA) or the Department of Veterans Affairs (VA).

**Counteroffer:** A response to an initial offer in a real estate negotiation, which proposes changes to the terms of the offer, such as the purchase price, closing date, or contingencies.

**Counteroffer Deadline:** The date and time a counteroffer must be accepted or rejected.

**Credit Score:** A numerical representation of a borrower's creditworthiness based on their credit history.

## D

**Deed:** A legal document that transfers property ownership from one party to another.

**Deed of Trust:** A legal document used in some states instead of a mortgage to secure a loan, conveying legal title to a neutral third party (trustee) until the borrower repays the debt.

**Deed Restrictions:** Limitations on the use or development of a property, typically imposed by a previous owner or a homeowners association.

**Default:** Failure to fulfill a legal obligation, such as making timely mortgage payments.

**Depreciation:** A decrease in the value of a property over time due to wear and tear, obsolescence, or economic factors.

**Down Payment:** The initial payment made by a buyer towards the purchase price of a property.

**Dual Agency:** A situation where the real estate agent represents both the buyer and seller in a transaction, which can present conflicts of interest.

**Due Diligence:** The investigation and research conducted by a buyer before entering into a real estate transaction, including inspections, title searches, and financial analysis.

## **E**

**Earnest Money:** A deposit made by the buyer to demonstrate their seriousness about purchasing a property.

**Easement:** A legal right to use someone else's land for a specific purpose, such as a shared driveway or utility access.

**Encumbrance:** A claim, lien, or liability attached to a property that may affect its title or use, such as mortgages, easements, or unpaid taxes.

**Equity:** The difference between the market value of a property and the amount owed on any mortgages or loans secured by the property. The value of a property beyond any outstanding mortgage or other debts secured by the property.

**Equity Loan:** A loan that allows homeowners to borrow against the equity they have built up in their property.

**Escrow:** Funds held by a third party on behalf of the buyer and seller until all aspects of a real estate transaction are completed.

**Escrow Account:** A separate account held by a third party (escrow agent) to hold funds, documents, or other assets until certain conditions are met in a real estate transaction.

**Exclusive Listing:** A contractual agreement between a seller and a real estate broker granting the broker the exclusive right to represent the property for sale for a specified period.

## F

**Fair Housing Act:** Federal legislation prohibits discrimination in housing based on race, color, religion, sex, national origin, disability, or familial status.

**Fair Market Value:** The price at which a property would sell in a competitive market, based on the forces of supply and demand.

**FHA Loan:** A mortgage loan insured by the Federal Housing

Administration (FHA), designed to make homeownership more accessible to low and moderate-income borrowers with lower credit scores and smaller down payments.

**Fixed-Period ARM:** An adjustable-rate mortgage with a fixed interest rate for a set period before adjusting.

**Fixed-Rate Mortgage:** A mortgage with an interest rate that remains constant for the entire loan term, providing predictable monthly payments.

**Fixer-Upper:** A property in need of significant repairs or renovations.

**Fixture:** An item attached to real property so that it becomes part of the property and is considered a permanent feature.

**Foreclosure:** The legal process by which a lender repossesses and sells a property due to the owner's failure to make mortgage payments.

**For Sale by Owner (FSBO):** A property sold directly by the owner without the representation of a real estate agent

## G

**General Contractor:** A professional overseeing and managing construction projects, including hiring subcontractors, obtaining permits, and ensuring compliance with building codes.

**Good Faith Estimate (GFE):** A standardized form provided to borrowers by lenders within three business days of the loan application, outlining the estimated costs and terms of the mortgage loan.

**Grant Deed:** A legal document used to transfer ownership of real property from a seller (grantor) to a buyer (grantee), typically containing warranties regarding the title.

**Grantee:** The party receiving ownership of real property through a deed or other legal instrument.

**Grantor:** The party transferring ownership of real property to another party through a deed or other legal instrument.

**Green Building:** Construction practices and technologies designed to reduce the environmental impact of buildings, including energy efficiency, sustainable materials, and waste reduction.

**Gross Income Multiplier (GIM):** A ratio used to estimate the value of income-producing properties by dividing the sale price by the gross annual rental income.

**Gross Rent Multiplier (GRM):** A ratio used to estimate the value of income-producing properties by dividing the sale price by the gross annual rental income.

**Ground Lease:** A lease agreement in which a tenant leases land from a landlord for a specified period, typically to construct improvements or operate a business on the property.

## H

**Hazard Insurance:** Insurance that protects homeowners against damages to their property caused by covered perils, such as fire, theft, and natural disasters.

**Holding Period:** The length of time an investor owns a property or investment before selling it.

**Home Equity Line of Credit (HELOC):** A revolving line of credit secured by the equity in a borrower's home, allowing them to borrow funds up to a predetermined limit as needed.

**Home Inspection:** A qualified inspector's thorough inspection of a property's condition helps the buyer identify potential issues or defects.

**Homeowners Association (HOA):** Homeowners Association (HOA): An organization that governs and manages a community, condominium, or planned development, typically enforcing rules and collecting fees from residents.

**Homeowners Insurance:** Insurance that protects homeowners against damages to their property and liability for injuries or damage caused to others.

**Home Warranty:** A service contract that covers the cost of repairs or replacements for certain home appliances and

systems.

**House Flipper:** An investor who purchases properties intending to renovate and resell them for a profit.

**Housing and Urban Development (HUD):** A government agency responsible for promoting homeownership and affordable housing.

**Housing Market:** The overall supply and demand for residential properties in a specific area or region.

I

**Income Property:** Real estate purchased with the intention of generating rental income or profits from business operations.

**Inheritance:** The transfer of real estate ownership or other assets from a deceased person to their heirs or beneficiaries.

**Initial Public Offering (IPO):** The first sale of stock by a private company to the public, allowing investors to purchase shares and become partial owners of the company.

**Inspections:** The process of examining a property to assess its condition, identify any issues or defects, and determine its suitability for purchase.

**Inspection Contingency:** A condition in a purchase agreement that allows the buyer to cancel the contract if the property does not pass a home inspection.

**Installment Sale:** A method of selling real estate where the purchase price is paid in multiple installments over time, typically with interest.

**Interest Rate:** The cost of borrowing money, expressed as a percentage of the loan amount, charged by a lender to a borrower.

**Inventory:** The total number of properties available for sale in a particular market at a given time.

**Investor:** An individual or entity that purchases real estate with the expectation of generating income or appreciation over time.

## J

**Joint Tenancy:** A form of property ownership in which two or more individuals hold equal shares of the property, with the right of survivorship, meaning that if one owner dies, their share automatically passes to the surviving owner(s).

**Jumbo Loan:** A mortgage loan that exceeds the conforming loan limits set by government-sponsored entities such as Fannie Mae and Freddie Mac, typically used to finance high-value properties.

## L

**Landlord:** The owner of a property who leases it to a tenant.

**Land Survey:** A professional measurement and mapping of a property's boundaries, dimensions, and improvements, typically conducted by a licensed surveyor.

**Land Transfer Tax:** A tax imposed by state or local governments on transferring real property from one party to another, typically calculated as a percentage of the sale price.

**Lease:** A contractual agreement between a landlord and tenant outlining the terms and conditions of renting a property, including granting the tenant the right to occupy and use a property in exchange for rent for a specified period.

**Liabilities:** Debts or financial obligations owed by an individual or organization, including mortgages, loans, and other liabilities secured by real estate.

**Listing:** A property that is advertised as being for sale or rent.

**Listing Agent:** A licensed real estate agent representing the seller in a real estate transaction. They help the seller market their property, negotiate offers, and navigate the closing process.

**Listing Agreement:** A contract between a property owner and a real estate broker granting the broker the authority to market and sell the property.

**Loan Estimate:** A standardized form provided to borrowers by lenders within three business days of the loan application, outlining the estimated costs and terms of the mortgage loan.

**Loan Modification:** A change to the terms of a mortgage loan, typically to make it more affordable for the borrower.



**Loan Origination Fee:** A fee charged by lenders to cover the administrative costs of processing a mortgage loan application, typically expressed as a percentage of the loan amount.

**Loan-to-Value Ratio (LTV):** A financial ratio used by lenders to assess the risk of a mortgage loan, calculated by dividing the loan amount by the appraised value or purchase price of the property.

## M

**Market Analysis:** An evaluation of current market conditions, trends, and property values in a specific area or segment of the real estate market, typically conducted by a real estate agent.

**Market Value:** The estimated price at which a property would sell in the current market, based on comparable sales, supply and demand, and other factors.

**Mortgage:** A loan used to purchase a property, with the property serving as collateral for the loan.

**Mortgage Broker:** A licensed professional who acts as an intermediary between borrowers and lenders in mortgage transactions.

**Mortgage Insurance:** Insurance protects lenders against losses resulting from borrowers defaulting on a mortgage loan, typically required for loans with a down payment below a certain threshold.

**Multiple Listing Service (MLS):** A database real estate agents use to share information about properties for sale.

**Multiple Offers:** More than one offer on a property, typically received by the seller simultaneously.

## N

**National Association of Realtors (NAR):** A professional organization representing real estate agents and brokers in the United States, promoting ethical standards and providing education and advocacy for its members.

**National Flood Insurance Program (NFIP):** A federal program that provides flood insurance to property owners, administered by the Federal Emergency Management Agency (FEMA).

**Negotiation:** The process of reaching an agreement between parties by discussing and compromising on terms, such as price, conditions, and contingencies.

**Neighborhood:** A defined geographic area within a city or town characterized by its unique features, amenities, and demographics.

**New Construction:** Properties recently built or under construction are typically sold by developers or builders.

**Non-Conforming Use:** A land use or structure that does not comply with current zoning regulations but can continue because it existed before the zoning ordinance was enacted.

**Notice of Default (NOD):** A formal notice filed by a lender indicating that a borrower has failed to make mortgage payments as agreed, initiating the foreclosure process.

## O

**Offer:** A proposal to purchase a property at a specified price and under specific terms and conditions.

**Off-Market Property:** A property not actively listed for sale on the open market but may be available for purchase through private negotiations or other channels.

**Open House:** A scheduled period during which a property is available for viewing by potential buyers without needing an appointment.

**Option:** A contract giving a buyer the right, but not the obligation, to purchase a property at a specified price and within a specified period.

**Option Period:** A specified period during which a buyer can terminate a contract or purchase agreement without penalty.

**Origination Fee:** A fee lenders charge to cover the administrative costs of processing a mortgage loan application, typically expressed as a percentage of the loan amount.

**Owner Financing:** A financing arrangement in which the seller provides financing to the buyer, typically with a higher interest rate than a traditional mortgage, often in the form of a mortgage or installment sale contract

## P

**Pocket Listing:** A property listing not publicly advertised or listed on the Multiple Listing Service (MLS), marketed privately to a select group of potential buyers.

**Points:** Fees paid to a lender to lower the interest rate on a mortgage loan.

**Power of Attorney:** A legal document authorizing one person to act on behalf of another person in legal, financial, or real estate matters.

**Pre-approval:** A lender's conditional commitment to provide financing to a borrower, subject to verification of financial and credit information and appraisal of the property.

**Prepayment Penalty:** A fee charged by lenders for paying off a mortgage loan before the end of the loan term, intended to compensate the lender for lost interest.

**Principal:** The money borrowed in a mortgage loan, excluding interest and other charges.

**Private Mortgage Insurance (PMI):** Insurance that protects lenders against losses resulting from borrower default on a mortgage loan, typically required for loans with a down payment below a certain threshold.

**Property Disclosure:** A document that outlines any known defects or issues with a property, typically provided by the seller to the buyer.

**Property Taxes:** Taxes local governments impose on the value of real property.

**Purchase Agreement:** A legal contract outlining the terms and conditions of purchasing a property

## Q

**Qualified Buyer:** A potential homebuyer who has been pre-approved for a mortgage loan and has demonstrated financial stability and readiness to purchase a property.

**Quiet Title Action:** A legal proceeding initiated to resolve disputes over property ownership or title defects, typically filed to establish a clear and marketable title.

**Quitclaim Deed:** A legal document transferring any interest in a property from one party to another without any warranties or guarantees.

## R

**Real Estate Agent:** A licensed professional representing buyers or sellers in real estate transactions.

**Real Estate Broker:** A licensed professional who has completed additional education and training requirements to oversee real estate transactions and supervise agents.

**Real Estate Owned (REO):** A property that has been foreclosed on and is now owned by the lender.

**Real Property:** Land and any improvements permanently attached to it, including buildings, structures, and fixtures.

**Realtor:** A real estate agent or broker who is a National Association of Realtors (NAR) member and adheres to its code of ethics.

**Referral:** A recommendation of a real estate agent or broker to a potential client.

**Refinance:** Replacing an existing mortgage with a new loan, typically to obtain better terms or lower interest rates.

**Renovation:** The process of updating or improving a property by making structural or cosmetic changes, often to increase its appeal or functionality.

**Rent-to-Own:** A financing arrangement in which a tenant rents a property with the option to purchase it at a later date.

**Repairs:** Maintenance work or improvements to a property to restore or enhance its condition and value.

**Reverse Mortgage:** A loan that allows homeowners aged 62 or older to borrow against the equity they have built up in their property, with the loan being repaid when the property is sold.

**Right of First Refusal:** A contractual right that allows a party to purchase a property before it is sold to others.

## **S**

**Sales Contract:** A legal document outlining the terms and conditions of a real estate transaction.

**Security Deposit:** A refundable deposit paid by a tenant to a landlord to cover potential damages or unpaid rent during the lease term.

**Seller Financing:** A financing arrangement in which the seller provides financing to the buyer, typically with a higher interest rate than a traditional mortgage.

**Seller's Market:** A market condition characterized by low inventory and high demand, resulting in favorable conditions for sellers, such as rising prices and multiple offers.

**Settlement:** The final stage of a real estate transaction where the buyer and seller meet to sign documents, transfer ownership, and exchange funds.

**Short Sale:** A real estate transaction in which the proceeds from the sale of a property are insufficient to cover the outstanding mortgage debt, and the lender agrees to accept less than the total amount owed.

**Subdivision:** A subdivision divides a large tract of land into smaller lots or parcels for development or sale. It creates individual plots with designated boundaries, often for residential, commercial, or mixed-use purposes. Zoning laws regulate subdivisions and may include infrastructure such as roads, utilities, and amenities.

**Survey:** A professional measurement and mapping of a property's boundaries, dimensions, and improvements, typically conducted by a licensed surveyor.

## T

**Tax Lien:** A legal claim against a property for unpaid taxes, typically filed by a government authority and prioritized over other liens on the property.

**Termite Inspection:** An examination of a property for evidence of termite infestation or damage, typically conducted by a licensed pest control professional.

**Title:** Legal property ownership, evidenced by a deed or other documentation.

**Title Insurance:** Insurance that protects homeowners and lenders against losses resulting from defects in the title to a property, such as liens, encumbrances, or errors in the public records.

**Title Search:** An examination of public records to verify the legal ownership of a property and identify any liens, encumbrances, or other issues that may affect the title, typically conducted by a title company or attorney.

**Townhouse:** A townhouse is a residential property characterized by multiple floors and attached units, often sharing

walls with neighboring units. Each unit typically has its own entrance and may include amenities such as a yard or garage. Townhouses are commonly found in urban and suburban settings.

**Transaction Coordinator:** A real estate professional responsible for managing the administrative aspects of a real estate transaction, ensuring that all parties meet deadlines and fulfill contractual obligations.

**Transfer Tax:** A tax imposed by state or local governments on the transfer of real property, typically calculated as a percentage of the sale price.

**Trustee:** A person or entity appointed to hold legal title to property on behalf of another party, typically in a trust arrangement.

**Turnkey Property:** A fully renovated or furnished property that is move-in ready for occupancy or immediate use by the buyer or tenant.

## U

**Under Contract:** A status indicating that a property has an accepted offer and is in the process of closing, subject to the completion of specific conditions and contingencies.

**Underwater Mortgage:** An underwater mortgage occurs when a homeowner owes more on their mortgage loan than the current market value of their property, typically due to declining property values or borrowing against home equity. It can limit options for selling, refinancing, or accessing home equity, potentially leading to financial challenges.

**Underwriting:** The process by which a lender evaluates a borrower's creditworthiness and the risk associated with a mortgage loan, determining whether to approve the loan and under what terms.

## V

**VA Loan:** A mortgage loan guaranteed by the U.S. Department of Veterans Affairs, available to eligible veterans, active-duty service members, and certain surviving spouses.

## W

**Walkability:** A measure of how easily accessible and pedestrian-friendly a neighborhood or property is, typically based on proximity to amenities, safety, and infrastructure.

**Walk-Through:** A final inspection of a property conducted by the buyer shortly before closing to ensure that any

agreed-upon repairs have been completed and the property is in the expected condition.

**Warranty Deed:** A type of deed that provides the highest level of protection for the buyer, guaranteeing that the seller holds clear title to the property and has the right to sell it.

## Y

**Yard:** The outdoor area surrounding a residential property, typically used for gardening, recreation, or outdoor activities.

**Year Built:** The year a property was constructed or completed, often listed as part of the property's details in real estate listings or records.

**Yield:** In real estate investment, yield refers to a property's return on investment (ROI), typically expressed as a percentage of the property's value or income.

## Z

**Zoning:** The regulation of land use and development by local governments, dividing areas into different zones or districts with specific permitted uses, density limits, and building requirements.

## #

**1031 Exchange:** A tax-deferred exchange of like-kind properties used by real estate investors to defer capital gains taxes on the sale of investment properties.