REAL ESTATE TERMINOLOGY and THE SALES PROCESS

Purchasing a home can be a complicated and confusing process, especially for first-time buyers. Throughout the process, first-time home buyers will encounter a variety of unfamiliar real state terms. There are several key terms associates with purchasing real estate that are helpful to learn.

For example, many buyers confuse the terms **broker** and **salesperson**. A broker is a properly licensed individual, who serves as a special agent in the purchase and sale of real estate, a salesperson is an individual employed or associated by written agreement by the broker as an independent contractor. The salesperson facilitates the purchase or sale of real estate.

Once you decide to purchase, a salesperson will prepare **a sales contract** to present to the seller along with your **earnest money** deposit. The sales contract is the document through which the seller agrees to give possession and title of property to the buyer upon full payment of the purchase price and performance of agreed-upon conditions. The earnest money is a buyer's partial payment, as a show of good faith, to make the contract binding. Often, the earnest money is held in an **escrow** account. Escrow is the process by which money is held by a disinterested party until the terms of the escrow instructions are fulfilled.

After the buyer and seller have signed the contract, the buyer must obtain a **mortgage note** by presenting the contract to a mortgage lender. The note is the buyer's promise to pay the purchase price of the real estate in addition to a stated interest rate over a specified period of time. A mortgage lender places a lien on the property, or **mortgage**, and this secures the mortgage note.

The buyer pays **interest** money to the lender exchange for the use of money borrowed. Interest is usually referred to as APR or annual percentage rate. Interest is paid on the **principle**, the capital sum the buyer owes. Interest payments may be disguised in the form of **points**. Points are an up-front cost which may be paid by either the buyer or seller or both in conventional loans.

In general, there are two types of conventional loans that a buyer can obtain. A **fixed rate loan** has the same rate of interest for the life of the loan, usually 15 to 30 years. An **adjustable rate loan** or adjustable rate mortgage (ARM) provides a discounted initial rate, which changes after a set period of time. The rate can't exceed the interest rate cap or ceiling allowed on such loans for any one adjustment period. Some ARMs have a lifetime cap on interest. The buyer makes the loan and interest payments to the lender through **amortization**, the systematic payment and retirement of debt over a set period of time.

Once the contract has been signed and a mortgage note obtained, the buyer and seller must legally close the real estate transaction. The closing is a meeting where the buyer, seller and their attorneys review, sign and exchange the final documents. At the closing, the buyer receives the appraisal report, an estimate of the property's value with the appraiser's signature, certification and sporting documents. The buyer also receives the title and the deed. The title shows evidence of the buyer's ownership of the property while the deed legally transfers the title from the seller to the buyer. The final document the buyer receives at closing is a title insurance policy, insurance against the loss of the title if it's found to be imperfect.

Buyers should plan on a least four to twelve weeks for a typical real estate transaction. The process is difficult and at times, intimidating. A general understanding of real estate terminology and chronology of the transaction, however, will help any real estate novice to confidently buy his or her first home.