

# TERMS to Know

## APPRAISAL

An opinion or estimate of value of property resulting from analysis of facts about the property.

## ANNUAL PERCENTAGE RATE (APR)

The borrower's costs of the loan term expressed as a rate. This is not their interest rate.

## BENEFICIARY

The recipient of benefits, often from a deed of trust; usually the lender.

## CLOSING DISCLOSURE (CD)

Form designed to provide disclosures to help borrowers understand all of the costs of the transaction; given to the consumer three business days before closing.

## CLOSING/SETTLEMENT

Though it varies from state-to-state, the closing is generally the final step in the sale and purchase of a property.

## CONSUMMATION

Occurs when the borrower becomes contractually obligated to the creditor on the loan, not, for example, when the borrower becomes contractually obligated to a seller on a real estate transaction. The point in time when a borrower becomes contractually obligated to the creditor on the loan depends on applicable State law. Consummation is not the same as close of escrow or settlement.

## DEED OF TRUST

An instrument used in many states in place of a mortgage.

## DEED RESTRICTIONS

Limitations in the deed to a parcel of real property that dictate certain uses that may or may not be made of the real property.

## DISBURSEMENT DATE

The date the amounts are to be disbursed to a buyer and seller in a purchase transaction or the date funds are to be paid to the borrower or a third party in a non-purchase transaction.

## EARNEST MONEY DEPOSIT

A deposit or partial payment made by a purchaser of real property as evidence of good faith.

## EASEMENT

A right, privilege or interest limited to a specific purpose that one party has in the land of another.

## ENDORSEMENT

A rider or attachment forming a part of the title insurance policy expanding or limiting coverage.

## ESCROWS/IMPOUNDS

Account established by lenders for the accumulation of borrower's funds to meet periodic payments of taxes, mortgage insurance premiums and/or future insurance policy premiums, required to protect their security.

## HAZARD INSURANCE

Insurance covering property against fire, some natural causes, vandalism, etc. Homeowner may add liability insurance and extended coverage for personal property.

## LEGAL DESCRIPTION

A description of land recognized by law, based on government surveys, spelling out the exact boundaries of the entire parcel of land.

## LIEN

A form of encumbrance that usually makes a specific parcel of real property the security for the payment of a debt or discharge of an obligation. (e.g. judgments, taxes, mortgages, deeds of trust.)

## LOAN ESTIMATE (LE)

Form designed to provide disclosures to help borrowers understand the key features, costs and risks of the mortgage loan for which they are applying. Initial disclosure to be given to the borrower three business days after application.

## MORTGAGE

The instrument by which real property is pledged as security for repayment of a loan.

## PITI

A payment that includes Principal, Interest, Taxes, and Insurance.

## POWER OF ATTORNEY

A written instrument whereby a principal gives authority to an agent. The agent acting under such a grant is sometimes called an Attorney-in-Fact.

## RECORDING

Process of filing documents affecting real property with the appropriate government agency as a matter of public record.

## SETTLEMENT STATEMENT

Document providing a detailed breakdown of costs involved in a real estate transaction.

## TILA-RESPA INTEGRATED DISCLOSURE (TRID)

A rule issued by the Consumer Financial Protection Bureau (CFPB) that combines and integrates the disclosures under the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA). Effective October 2015.

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