

The ABCs Of Real Estate

Buying or selling a home? Check out our guide to real estate terms.

A

Appraisal: estimation of a home's market value by a licensed appraiser based on comparable recent sales of nearby homes.

B

Backup Offer: secondary offer on a home that is under contract that becomes active if the primary contract falls through.

C

Contingent Offer: offer is accepted by the seller, but certain conditions must be met before the sale is final.

D

Down Payment: percentage of the home purchase price (usually between 5% and 20%) paid upfront in cash.

E

Escrow: neutral third party that holds funds from the buyer and distributes them when all conditions have been met.

F

Federal Housing Administration (FHA): government agency that insures loans designed for low- to moderate-income borrowers.

G

Good Faith Estimate (GFE): provided by a lender to a borrower, GFE was an estimate of fees due at closing. New mortgage rules in 2015 replaced this form with one called a Loan Estimate.

H

Homeowners' Association: management organization within a community, subdivision, or neighborhood that creates and enforces rules for properties within its jurisdiction.

I

Inspection: an examination of a property and its systems performed by a qualified professional, usually before the sale of a home.

J

Jumbo Mortgage: mortgage exceeding the conforming-loan limit, commonly used for luxury home purchases.

K

Key Rate: interest rate set by the federal government that determines the cost to borrow money, in this case, a mortgage to buy a new home.

L

Loan-to-Value (LTV): risk assessment ratio used by lenders; to calculate, divide the mortgage amount by the appraised value.

M

Multiple Listing Service (MLS): database for real estate agents to list and market for-sale homes.

O

Open House: event hosted by a listing agent to showcase a home to potential buyers.

N

Net Proceeds: amount received by the seller at closing after all other costs have been deducted.

P

Preapproval Letter: letter indicating a lender is willing to loan a specific amount of money for a home purchase; preapproval does not guarantee a loan.

Q

Quitclaim Deed: deed transferring property rights without any validation of ownership, typically used between spouses and family members.

R

Real Estate Owned (REO) property: repossessed property owned by a lender after an unsuccessful sale at auction.

S

Seller Disclosure: document completed by the seller disclosing the property's history and defects.

T

Title: the right to ownership of real property recognized and protected by the law.

V

VA Loan: mortgage loan for veterans and their spouses, made by private lenders and guaranteed by the U.S. government.

U

Under Contract: when a buyer has submitted an accepted offer, but the closing is not yet final.

W

Walk-Through: final inspection conducted before a home sale is final.

X

X Marks The Spot: where you sign on the dotted line for your dream home!

Y

Yield-Spread Premium (YSP): amount a lender pays a mortgage officer for selling a loan with a higher interest rate than the par rate.

Z

Zero Lot Lines: residence built very close to or directly on the property line.