Abstract of Title- Booklet containing copies or summaries of all recorded instruments which affect a property

Acceleration clause- A provision in a mortgage that gives the lender the right to demand payment of the entire outstanding balance if a monthly payment is missed

Acceptance- Voluntary receipt of an item; approval of the terms of an agreement; approval of a deed of conveyance

Acknowledgement- Formal declaration by a notary public, or other officer authorized to certify, to an act or the signing of a document

Addendum- A written instrument which changes or adds to a prior agreement

Adjustable-rate mortgage (ARM) - A mortgage that permits the lender to adjust its interest rate periodically on the basis of changes in a specified index

AD Valorem Tax- A tax on real property levied according to the estimated value of the property

Affiant- One who makes a sworn statement

Affidavit- A sworn statement in writing taken before an official authorized to take oaths and acknowledge statements

Agent- A person who acts for and in behalf of another by permission of contract

Alta- American Land Title Association
**Amortize** - The reduction of a debt through regular periodic payments including principal and interest

**Amortization** - The gradual repayment of a mortgage by installments, calculated to pay off the obligation at the end of a fixed period of time

**Amortization Schedule** - A printed mathematical computation by which the payoff of a debt is defined over a set period of time in specified payment amounts

**Appraisal** - An estimated determination of property value

**Appreciation** - An increase in the value of a property due to changes in market conditions or other causes

**Appurtenance** - Anything attached to land or buildings, or used with either, which passes with transfer of title to the land or building

**APR** - Annual percentage rate, a federal Truth in Lending Act computation designed to show a borrower’s actual interest rate including lender charges spread over the term of the loan

**Assessed value** - The valuation placed upon property by a public tax assessor that is used to compute property taxes

**Assesses Valuation** - The value placed upon land and improvements for purposes of taxation

**Assessment** - The imposition of a tax or other levy by government agency or government approved taxing authority
Assessor- An official who evaluates real property for purposes of taxation

Assign- Transfer, give to over to another

Assignee- One who receives an assignment or transfer of rights and obligations

Assignment- Written instrument which transfers rights and obligations from one person to another

Assignor- One who makes an assignment or transfer of rights or obligations

Assumable mortgage- A mortgage that can be taken over (“assumed”) by the buyer when a home is sold

Assumption- The taking over of the obligation of a mortgage by a purchaser who agrees to be liable for the outstanding debt and to comply with the terms of such mortgage

Attachment- Legal seizure of property to force payment of a debt

Attorneys Title Insurance Fund- Also known as ATIF and “The Fund,” a Florida attorney-owned title insurance underwriter with principal offices in Orlando, providing many title and property services, such as abstracting (through subsidiary or affiliate companies) prior title policies, title status reports, computer title data, to its attorney members. Formerly called Lawyers’ Title Guaranty Fund

Balloon Mortgage- A mortgage on which the final payment of a loan is greater than twice the regular periodic payments and pays the loan in full
Bankruptcy- Legal procedure for relief from payment of debts, including surrender of all assets to a court-appointed trustee

Beneficiary- Person designated to receive a benefit

Binder- A commitment or agreement by a title insurance underwriter to issue title insurance subject to stated conditions

Block- A measured parcel of plated land having fixed boundaries and usually containing smaller divisions called “lots”

Board of Real Estate- An agency of the State of Florida which regulates practices by real estate sales people and controls licensing, education and ethical standards in the real estate profession

Buy-Down- An arrangement whereby a lender lowers its interest rate for a specified period in consideration for any additional payments of points

Cap- A provision of an ARM limiting how much the interest rate or mortgage payments may increase or decrease

Card Rate- A fee formerly charged by title agencies for issuance of title insurance

Cash reserve- A requirement of some lenders that buyers have sufficient cash remaining after closing equivalent to two months’ mortgage payments
Chain of Title- The past series of transactions which form the history of a property; listing of all recorded instruments which affect the property

Chattel- A movable item of personal property, e.g., furniture, appliances

Chattel Mortgage- A written instrument which pledges a lien against items of personalty(chattels) as security for the repayment of money borrowed

Clear Title- An interest in land which is not encumbered with defects

Closing- Process by which the parties to a real estate transaction conclude the details of a sale and purchase; the final settlement meeting between buyer and seller in a real estate transaction; the process of preparing for the final settlement of a real estate transaction

Cloud on Title- Any title defect which precludes the transfer of a clear title

Commission- A fee for selling real property, usually a percentage of the purchase price

Commitment- An agreement by a title insurance underwriter to issue title insurance subject to stated conditions (also called a “binder”); an agreement by a lender to make a loan

Commitment letter- A formal offer by a lender stating the terms under which it agrees to lend money to a home buyer

Condemnation- Government taking of private property for public use through legal proceedings
Condominium - a form of property ownership in which the homeowner holds title to an individual dwelling unit, an undivided interest in common areas of a multi-unit project, and sometimes the exclusive use of certain limited common areas.

Contingency - a condition that must be met before a contract is legally binding.

Conventional Mortgage - Any mortgage that is not insured or guaranteed by the federal government.

Convertible ARM - An adjustable-rate mortgage that can be converted to a fixed-rate mortgage under specified conditions.

Cooperative - A type of multiple ownership in which the residents of a multi-unit housing complex own shares in the corporation that owns the property, giving each resident the right to occupy a specific apartment or unit.

Covenant - A clause in a mortgage that obligates or restricts the borrower and which, if violated, can result in foreclosure.

Credit report - A report of an individual’s credit history prepared by a credit bureau or consumer reporting agency and used by a lender in determining a loan applicant’s credit worthiness.

Credit Score - A score based statistical method used to predict the relative likelihood that you will repay a credit obligation, such as a mortgage loan. The most well-known credit score in the mortgage industry has been developed by Fair, Issacs and Company and is often referred to as the FICO score.
Deed - The legal document conveying title to a property

Deed of Trust - The document used in some states instead of a mortgage which gives the lender a security interest in the property. Title is conveyed to a trustee by the borrower (who retains equitable title). When the debt is paid in full, title is reconveyed to the borrower.

Default - The failure to make a mortgage payment on a timely basis or to otherwise comply with other requirements of a mortgage.

Delinquency - A loan in which a payment is overdue but not yet in default.

Deposit - See Earnest money.

Depreciation - A decline in the value of property; the opposite of “appreciation.”

Discount points - See points.

Down Payment - The part of the purchase price which the buyer pays in cash and does not finance with a mortgage.

Due-on-sale clause - A provision in a mortgage allowing the lender to demand repayment in full if the borrower sells the property securing the mortgage.

Earnest money - A deposit made by the potential home buyer to show that he or she is serious about buying the house.

Easement - A right of way giving persons other than the owner access to or over a property.
Equal Credit Opportunity Act (ECOA) - A federal law that prohibits lenders from discriminating on the basis of the borrower’s race, color, religion, national origin, age, sex, marital status, or receipt of income from public assistance programs.

Equity - A homeowner’s financial interest in a property. Equity is the difference between the fair market value of a property and the amount still owed on the mortgage.

Equity loan - A loan based on the borrower’s equity in his or her home.

Escrow - The holding of documents and money by a neutral third party prior to closing; also, an account held by the lender (or servicer) into which a homeowner pays money for taxes and insurance.

Fair Credit Reporting Act - A consumer protection law that regulates the disclosure of consumer credit reports by a consumer credit reporting agencies and establishes procedures for correcting mistakes on one’s credit record.

Fannie Mae and Freddie Mac -

Both organizations were chartered by Congress to increase the supply of funds that mortgage lenders, such as commercial banks, mortgage bankers, savings institutions and credit unions, can make available to homebuyers.

Fannie Mae and Freddie Mac buy mortgages from lenders, packaging the mortgages into securities and selling them to investors. As Fannie Mae and Freddie Mac will
only buy loans that meet their guidelines, they play an important role in setting what criteria are used to evaluate a mortgage application

**FHA mortgage**- A mortgage that is insured by the Federal Housing Administration. Also referred to as a “government” mortgage

**FHA 203(k)** - Rehabilitation Mortgages- FHA-insured Section (k) rehabilitation first mortgages enable borrowers to purchase and rehabilitate homes. With this mortgage product, borrower’s can qualify for loan amounts based on the “as-completed” value of the property, up to the maximum FHA loan limits

**FHA Title 1 Home Improvement Loans**- Title 1 home improvements loans may be used to finance modest home improvements when homeowners have little equity in their property. Title 1 loans are generally based on the creditworthiness of the borrower, rather than the equity in the home

**FICO Score**- See credit Score

**First mortgage**- A mortgage that has first claim to the secured property in the event of default

**Fixed-rate mortgage**- A mortgage in which the interest rate does not change during the entire term of the loan

**Flood insurance**- Insurance that compensates for physical property damages resulting from flooding. It is required for properties located in federally designated flood areas
**Forbearance**- The lender’s postponement of foreclosure to give the borrower time to catch up on overdue payments

**Foreclosure**- The legal process by which a mortgaged property may be sold when a mortgage is in default

**Graduated payment mortgage**- A mortgage that starts with low monthly payments that increase at a predetermined rate for a specified time. The initial monthly payments are set at an amount lower than that required for full amortization of the debt.

**Hazard insurance**- Insurance coverage that compensates for physical damage to a property from fire, wind, vandalism, or other hazards

**Homeowner’s insurance**- An insurance policy that combines personal liability coverage and hazard insurance for a dwelling and its contents

**Homeowner’s warranty**- A type of insurance that covers repairs to a specified period of time. It is provided by the builder or property seller as a condition of the sale

**HUD-1** – See Settlement sheet

**Interest**- The fee charged for borrowing money

**Interest rate cap**- A provision of an ARM limiting how much interest rates may increase per adjustment period or over the life of a mortgage. See also Lifetime cap
 Joint tenancy - A form of co-ownership giving each tenant equal interest and equal rights in the property, including the right of survivorship

Late charge - The penalty a borrower must pay when a payment is made after the due date

Lease-Purchase Mortgage Loan - A mortgage product that allows low- and moderate-income home buyers to lease a home from a nonprofit organization with an option to buy. Each month’s rent payment consists of PITI payments on the first mortgage, plus an extra amount that is earmarked for deposit to a savings account in which money for a down payment will accumulate.

Lien - A legal claim against a property that must be paid off when the property is sold

Lifetime cap - A provision of an ARM that limits the total increase rates over the life of the loan

Loan commitment - See Commitment letter

Loan servicing - The collection of mortgage payments from borrowers and related responsibilities of a loan servicer

Loan-to-value percentage (LTV) - The relationship between the unpaid principal balance of the mortgage and the appraised value (or sales price if it is lower) of the property

Lock-in - A written agreement guaranteeing the home buyer a specified interest rate provided the loan is closed within a set period of time. The lock-in also usually specifies the number of points to be paid at closing
Commonly Used Real Estate Closing
Words, Terms, and Names

**Mortgage**- A legal document that pledges a property to the lender as security for payment of debt

**Mortgage banker**- A company that originates mortgages exclusively for resale in the secondary market

**Mortgage broker**- An individual or company that for a fee acts as intermediary between borrowers and lenders

**Mortgage insurance**- See Private mortgage insurance

**Mortgage insurance premium (MIP)** - The fee paid by a borrower to FHA or a private insurer for mortgage insurance

**Mortgage margin**- The set percentage the lender adds to the index value to determine the interest rate of an ARM

**Mortgage note**- A legal document obligating a borrower to repay a loan at a stated interest rate during a specified period of time; the mortgage note is secured by a mortgage

**Mortgage interest rate**- The rate of interest in effect for the monthly payment due

**Mortgagor**- The borrower in a mortgage agreement

**Mortgagee**- The lender in a mortgage agreement

**Negative amortization**- A gradual increase in the mortgage debt that occurs when the monthly payment is not large enough to cover the entire amount of principal and
interest due. The amount of the shortfall is added to the unpaid principal balance which results in “negative” amortization

**Notice of default**- A formal written notice to a borrower that a default has occurred and that legal action may be taken

**Origination fee**- A fee paid to a lender for processing a loan application; it is stated as a percentage of the mortgage amount

**Owner financing**- A property purchase transaction in which the property seller provides all or part of the financing

**Payment cap**- A provision of some ARMs limiting the amount by which a borrower’s payments may increase, regardless of any interest rate increase; may result in negative amortization. See adjustable-rate mortgage

**PITI**- Stands for principal, interest, taxes, and insurance- the components of a monthly mortgage payment

**Planned unit developments (PUDs)**- A planned unit development is a project or subdivision that consists of common property that is owned and maintained by an owners’ association for the benefit and use of the individual PUD unit owners

**Points**- A one-time charge by the lender to increase the yield of the loan; a point is 1 percentage of the amount of the mortgage
Prepays-Fees collected at closing to cover items such as setting up escrow accounts for property taxes, homeowner’s insurance, and private mortgage insurance premiums

Prepayment penalty- A fee that may be charged to a borrower who pays off a loan before it is due

Prequalification- The process of determining how much money a prospective home buyer will be eligible to borrow before a loan is applied for

Principal- The amount borrowed or remaining unpaid; also, that part of the monthly payment that reduces the outstanding balance of a mortgage

Private mortgage insurance (PMI) - Insurance provided by nongovernment insures that protects lenders against loss if a borrower defaults. Fannie Mae generally requires private mortgage insurance for loans with loan-to-value (LTV) percentages greater than 80 percent

Purchase and sale agreement- A written contract signed by the buyer and seller stating the terms and conditions under which a property will be sold

Qualifying ratios- Guidelines applied by the lenders to determine how large a loan to grant a home buyer

Radon- An invisible, odorless gas found in some homes that in sufficient concentrations may cause health problems

Rate Lock- See lock-in
Real estate sales professional- A person licensed to negotiate and transact the sale of real estate on behalf of the property owner

Real Estate Settlement Procedures Act- A consumer protection law that requires lenders to give borrowers advance notice of closing costs

Refinancing- The process of paying off one loan with the proceeds from a new loan using the same property as security

Rent with option to buy- See Lease-Purchase Mortgage Loan

Second Mortgage- A mortgage that has alien position subordinate to the first mortgage

Secondary mortgage market- The buying and selling of existing mortgages. See Fannie Mae and Freddie Mac

Seller-take-back- An agreement in which the owner of a property provides financing, often in combination with an assumed mortgage

Settlement- See Closing

Settlement sheet- The computation of costs payable at closing which determines the seller’s net proceeds and the buyer’s net payment (referred to as HUD-1).

Survey- A drawing or map showing the precise legal boundaries of a property, the location of improvements, easements, rights of way, encroachments, and other physical features
Tenancy by entirety - A type of joint ownership of property that provides the rights of survivorship and is available only to a husband and wife

Tenancy in common - A type of joint ownership of property without rights of survivorship

Title - A legal document evidencing a person’s rights to or ownership of a property

Title company - A company that specializes in examining and insuring titles to real estate

Title insurance - Insurance to protect the lender (lender’s policy) or the buyer’s (owner’s policy) against loss arising from disputes over ownership of property

Title search - An examination of the public records to ensure that the seller is the legal owner of the property and that there are no liens or other claims outstanding

Transfer tax - State or local tax payable when title passes from one owner to another

Truth-in-Lending Act - A federal law that requires lenders to fully disclose, in writing, the terms and conditions of a mortgage, including APR and other charges

Underwriting - The process of evaluating a loan application to determine the risk involved for the lender. It involves an analysis of the borrower’s creditworthiness and the quality of the property itself.