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## Real Estate Glossary

Acceptance: the date when both parties – seller and buyer – have agreed to and completed signing and/or initialing the contract.

Adjustable Rate Mortgage: a mortgage that permits the lender to adjust the mortgage's interest rate periodically on the basis of changes in a specified index. Interest rates may move up or down, as market conditions change.

Amortized Loan: a loan that is paid in equal installments during its term.

Appraisal: an estimate of real estate value, usually issued to standards of FHA, VA and FHMA. Recent comparable sales is the most important factor in determining value.

Appreciation: an increase in the value of a property due to changes in market conditions or other causes. The opposite of depreciation.

Assumable Mortgage: purchaser takes ownership to real estate encumbered by an existing mortgage and assumes responsibility as the guarantor for the unpaid balance of the mortgage.

Bill of Sale: document used to transfer title (ownership) of PERSONAL property.

Closing Disclosure: The Closing Disclosure is a form that lists all final terms of the loan selected, final closing costs, and the details of who pays and who receives money at closing. The lender sends each party the Closing Disclosure form before closing.

Cloud on Title: any condition that affects the clear title to real property.

Consideration: anything of value to induce another to enter into a contract (e.g., money, services, a promise, etc.).

Deed: a written instrument, which when properly executed and delivered, conveys title to real property.

Discount Points: a loan fee charged by a lender of FHA, VA or conventional loans to increase the yield on the investment. One point = 1% of the loan amount.

Easement: the right to use the land of another.

Encumbrance: anything that burdens (limits) the title to property, such as a lien, easement, or restriction of any kind.

Equity: the value of real estate over and above the liens against it. It is obtained by subtracting the total liens from the value.

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**Escrow Payment:** that portion of a mortgagor's monthly payment held in trust by the lender to pay for taxes, hazard insurance and other items as they become due.

**Fannie Mae:** nickname for Federal National Mortgage Corporation (FNMA), a tax-paying corporation created by congress to support the secondary mortgages insured by FHA or guaranteed by VA, as well as conventional loans.

**Federal Housing Administration (FHA):** an agency of the U.S. Department of Housing and Urban Development (HUD). Its main activity is the insuring of residential mortgage loans made by private lenders. The FHA sets standards for construction and underwriting but does not lend money or plan or construct housing.

**FHA Insured Mortgage:** a mortgage under which the Federal Housing Administration insures loans made, according to its regulations.

**Fixed Rate Mortgage:** a loan that fixes the interest rate at a prescribed rate for the duration of the loan.

**Foreclosure:** procedure whereby property pledged as security for a debt is sold to pay the debt in the event of default.

**Freddie Mac:** nickname for Federal Home Loan Mortgage Corporation (FHLMC), a federally controlled and operated corporation to support the secondary mortgage market. It purchases and sells residential conventional home mortgages.

**Graduated Payment Mortgage:** any loan where the borrower pays a portion of the interest due each month during the first few years of the loan. The payment increases gradually during the first few years to the amount necessary to fully amortize the loan during its life.

**Joint Tenancy:** ownership jointly by two or more parties who hold an undivided interest with right of survivorship (in event of the death of one owner, his/her share will pass to the other owner(s) automatically).

**Lease Purchase Agreement:** buyer makes a deposit for future purchases of a property with the right to lease property in the interim.

**Lease with Option:** a contract, which gives one the right to lease property at a certain sum with the option to purchase at a future date.

**Loan Estimate:** A Loan Estimate is a three-page form that the buyer receives after applying for a mortgage. The Loan Estimate tells important details about the loan the buyer has requested, including the estimated interest rate, monthly payment, and total closing costs for the loan.

**Loan to Value Ratio (LTV):** the ratio of the mortgage loan principal (amount borrowed) to the property's appraised value (selling price). Example – on a \$100,000 home, with a mortgage loan principal of \$80,000 the loan to value ratio is 80%.

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Mortgage: a legal document that pledges a property to the lender as security for payment of a debt.

Mortgage Insurance Premium (MIP): the amount paid by a mortgagor for mortgage insurance. This insurance protects the investor from possible loss in the event of a borrower's default on a loan.

Note: a written promise to pay a certain amount of money.

Origination Fee: a fee paid to a lender for services provided when granting a loan, usually a percentage of the face amount of the loan.

Private Mortgage Insurance (PMI): see Mortgage Insurance Premium.

Second Mortgage / Second Deed of Trust / Junior Mortgage / Junior Lien: an additional loan imposed on a property with a first mortgage. Generally, a higher interest rate and shorter term than a "first" mortgage.

Severalty Ownership: ownership by one person only (i.e., sole ownership).

Tenancy In Common: ownership by two or more persons who hold an undivided interest without right of survivorship (in event of the death of one owner, his/her share will pass to his/her heirs).

Title Insurance: an insurance policy that protects the insured (buyer or lender) against loss arising from defects in the title.