

HANDY TERMS FOR HOMEBUYERS

Abstract of Title – Summarized history of the legal title to property, shows changes of title, records of liens and encumbrances.

Adjustable Rate Mortgage (ARM) – Interest rate is adjusted periodically and is usually lower initially. However, if interest rates increase, monthly payments increase. If interest rates decline, monthly payments decrease.

Closing Costs – Charges paid at settlement to obtain a mortgage loan and transfer real estate title, usually in addition to the price of the home. The sales contract should clearly state who, buyer or seller, will pay closing costs and what they will be.

Contract for Deed or Land Contract – Agreement to purchase real estate on an installment basis with the title remaining in the original owner's name until the buyer completes all payments.

Equity – The value in excess of all indebtedness against the property.

Escrow – A system or document transfer in which a deed, bond, or fund is delivered to a third party to hold until all conditions in a contract are fulfilled.

Fixed Rate Mortgage – The interest rate and payment of principal will remain the same for the length of the loan. However, if taxes and insurance are included in the house payment, the payment may change from year to year.

Interest – The cost paid by a borrower for use of money borrowed to purchase a home.

Mortgage – Pledge of property as security for the payment of a debt.

Mortgage Commitment – A formal written communication by a lender, agreeing to make a mortgage on specific property, specifying the loan's amount, length of time, and conditions.

Points – A point is a charge of one percent of the mortgage value.

Pre-qualification – Informal estimate of how much financing a potential borrower might expect to obtain.

Principal – Amount of money borrowed in mortgage loan, excluding interest and other charges.

Settlement Expense – This is different from closing costs, but also involves charges that a buyer or seller must pay in closing a deal on a house. Settlement costs include insurance and tax payments, special assessments for improvements to municipal facilities and sales commissions.

Survey – On-site measurement of lot lines, dimensions, and position of house on lot, including determination of possible encroachments or existing easements. A survey is often required by the lender to assure that the house is actually on the land according to its legal description.

Title Insurance – A contract to make good a property owner's loss resulting from defects in a title. Title insurance usually calls for the insurer to defend the property owner's title at no cost if the title is challenged in court.

Title – Evidence (usually in the form of a certificate or "deed") of a person's legal right to ownership of property.

Title Search – Detailed review of title records, generally at the local courthouse, to assure that the property is bought from the legal owner and to determine if any liens, special assessments, other claims or outstanding restrictive covenants are on record.