Real Estate Terms Glossary

A | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q | R | S | T | U | V | W

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A

"Abstract of judgment, law"

The summary of a court judgment that creates a lien against a property when filed with the county recorder.

Accelerated cost recovery system

A tax calculation that provides greater depreciation in the early years of ownership of real estate or personal property.

Acceleration clause

A provision that gives a lender the right to collect the balance of a loan if a borrower misses a payment.

Accelerated depreciation

A bookkeeping method that depreciates property faster in the early years of ownership.

Acceptance

The seller's written approval of a buyer's offer.

Access

Any means by which a person can enter property.

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Accessibility
The degree to which a building or site allows access to people with disabilities.

Acknowledgment
A written declaration affirming that a person acted voluntarily.

Acre
"A measurement of land equal to 43,560 square feet."

Active solar system
A system that utilizes electric pumps or fans to transfer solar energy for storage or direct use.

Actual age
The number of years a structure has been standing.

Addendum
An addition or change to a contract.

Additional principal payment
Extra money included in the monthly payment to help reduce the principal and shorten the term of the loan.

Add-on interest
The interest a borrower pays on the principal for the duration of the loan.

Adjustable-rate mortgage (ARM)
A loan with an interest rate that is periodically adjusted to reflect changes in a specified financial index.

Adjusted cost basis

The cost of any improvements the seller makes to the property. Deducting the cost from the original sales price provides the profit or loss of a home when it is sold.

Adjustment period

The amount of time between interest rate adjustments in an adjustable-rate mortgage.

Administrator

A person given authority to manage and distribute the estate of someone who died without leaving a will.

Administrator's deed

A legal document that an administrator of an estate uses to transfer property.

Adverse possession

The acquisition of title to property through possession without the owner's consent for a certain period of time.

Adverse use

The access and use of property without the owner's consent.

Affiant

A person who makes a sworn statement.

Affirmation

A substitution for an oath granted to people based on religious reasons.

A-frame design

An interior style that features a steeply peaked roofline and a ceiling that is open to the top rafters.

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Agency

The relationship of trust that exists between sellers and buyers and their agents. The agency is formed through a written contract.

Alternative mortgage

Any home loan that does not conform to a standard fixed-rate mortgage.

Amenities

"Parks, swimming pools, health-club facilities, party rooms, bike paths, community centers and other enticements offered by builders of planned developments."

American Society of Home Inspectors

The American Society of Home Inspectors is a professional association of independent home inspectors. Phone: (800) 743-2744.

Americans with Disabilities Act

"A law passed in 1990 that outlaws discrimination against a person with a disability in housing, public accommodations, employment, government services, transportation and telecommunications."

Amortization

The process of paying the principal and interest on a loan through regularly scheduled installments.

Amortization tables

Mathematical tables that lenders use to calculate a borrower's monthly payment.

Amperage

The strength of an electrical current.

Annual Percentage Rate (APR)

The cost of the loan expressed as a yearly rate on the balance of the loan.

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Annuity
The payment of a fixed sum to an investor at regular intervals.

Application
"A document that details a potential borrower's income, debt and other obligations to determine credit worthiness."

Application fee
The fee that a lender charges to process a loan application.

Appraisal
An opinion of the value of a property at a given point in time.

Appraisal fee
The fee that an appraiser charges to estimate the market value of the property.

Appraisal report
A detailed written report on the value of a property based on recent sales of comparable sites in the area.

Appraised value
An opinion of the current market value of a property.

Appreciation
An increase in the value of a home or other property..

Assumption fee
A fee the lender charges to process new records for a buyer who assumes an existing loan.

Average price

The price of a home determined by totaling the sales prices of all houses sold in an area and dividing that number by the number of homes.

B

Back title letter

A letter that a title insurance company gives to an attorney who then examines the title for insurance purposes.

Back-to-back escrow

Arrangements that an owner makes to oversee the sale of one property and the purchase of another at the same time.

Backup offer

A secondary bid for a property that the seller will accept if the first offer fails.

Balance sheet

"A statement that shows the assets, liabilities and net worth of an individual."

Balloon loan

"A mortgage in which monthly installments are not large enough to repay the loan by the end of the term. As a result, the final payment due is the lump sum of the remaining principal."

Balloon payment

The final lump sum payment due at the end of a balloon mortgage.

Bankruptcy

A proceeding in which an insolvent debtor can obtain relief from payment of certain obligations. Bankruptcies remain on a credit record for seven years and can severely limit a person's ability to borrow.

Bargain sale
The sale of a piece of property for less than market value.

Basement
The area of a home below ground level.

Bay window
A window that projects outward in a curve.

Bearing wall
A wall that supports its own weight in addition to other parts of a structure.

Beneficiary
"The lender who makes a loan, also called a mortgagee. The person borrowing money is the mortgagor."

Before-tax income
Total income before taxes are deducted.

Bequest
Personal property given to a person through a will.

Bidding war
Offers from multiple buyers for a piece of property. Agents also sometimes compete to list a house for sale.

Bilateral contract
A contract in which the parties involved give mutual promises. Also called ‘reciprocal’contracts.

Bill of sale
A document that transfers ownership of personal property.

Buyer's remorse

An emotion felt by first-time homebuyers after signing a sales contract or closing the purchase of a house.

Bylaws

The rules and regulations that a homeowners association or corporation adopts to govern activities.

C

Cancellation clause

A clause that details the conditions under which each party may terminate the agreement.

Cap

A limit on the amount the interest rate or monthly payment can increase in an adjustable-rate mortgage.

Cape Cod style

A wood-frame or shingled house with a steep roof and several windows projecting from the second floor.

Capital

Money used to create income, such as funds invested in rental property.

Capital expenditure

The cost of making improvements on a property.

Capital gains

Profits an investor makes from the sale of real estate or investments.

Capital gains tax

A tax placed on the profits from the sale of real estate or investments.

Capital improvement

Any improvement that extends the life or increases the value of a piece of property.

Capitalization

A mathematical formula that investors use to compute the value of a property based on net income.

Capitalization rate

The percentage rate of return estimated from the net income of a piece of property.

Cash flow

The amount of cash a rental property investor receives after deducting operating expenses and loan payments from gross income.

Cashier's check

A check the bank draws on itself rather than on a depositor's account.

Cash-out refinance

The refinancing of a mortgage in which the money received from the new loan is greater than the amount due on the old loan. The borrower can use the extra funds in any manner.

Caveat

A formal notice, that asks a court to suspend action until the party that filed the challenge can be heard.

Caveat emptor

A legal principle derived from Latin which means "let the buyer beware."

Comparables
Properties used as comparisons to determine the value of a certain property.

Comparative market analysis
An estimate of the value of a property based on an analysis of sales of properties with similar characteristics.

Competent
A term for a buyer who is legally fit to enter into a sales contract.

Compound interest
The interest paid on the principal balance in a mortgage and on the accrued and unpaid interest of the loan.

D

Days on the market
The period of time a property is listed for sale until it is sold or taken off the market

Deed
The legal document that transfers ownership of a piece of property.

Deed of trust
A document that gives a lender the right to foreclose on a piece of property if the borrower defaults on the loan.

Default
The failure to fulfill a duty or promise or discharge an obligation, such as making monthly mortgage payments.

Delinquent mortgage

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A mortgage that involves a borrower who is behind on payments. If the borrower cannot bring the payments up to date within a specified number of days, the lender may begin foreclosure proceedings.

Density test

An analysis of soil to determine if the surface can support the foundation of a house.

Due-on-sale clause

Standard language in a mortgage which states that the loan must be paid when a house is sold.

Duplex

A structure that consists of two separate family units.

Dutch colonial style

A design that features barn-like gambrel roof, a ground-level front porch, and dormers.

E

Early occupancy

The condition in which buyers can occupy the property before the sale is completed.

Earnest money

Money a buyer gives with an offer to purchase a property. Also called a deposit.

Easement

A right given to a third party to use a portion of the property for certain purposes, such as power lines or water mains.

Effective age

The age of a structure estimated by its condition rather than its actual age.

Effective gross income

Additional income that a lender considers when assessing the loan application of a potential borrower.

Electric service panel

A panel that transfers power from the utility line into a house to be distributed through fuses or circuit breakers.

Elevations

The exterior view of a home design that shows the position of the house relative to the grade of the land.

Eminent domain

The government's right to condemn private land for public use, such as the routing of a public highway.

Employer-assisted housing

Programs that help employees purchase homes through special plans developed with lenders.

Encroachment

Fences or other structures that extend into the property of another owner.

Encumbrance

A claim or lien on a property that complicates the title process.

End loan

The conversion from a construction loan to permanent financing a condominium buyer secures after all units in a project have been completed.

Endorser

A person who signs over ownership of property to another party.

Escrow

A deposit or fund held in trust or as a security.

Exclusive listing

A contract that gives an agent the exclusive right to market a property for a specific period of time.

Executor

A person appointed to carry out the instructions in a will. If there is no will, a probate court will appoint an executor.

F

Fair Credit Billing Act

A federal law that governs credit and charge card billing errors. If a credit or charge card company violates any provision, consumers can sue to recover damages.

Fair Credit Reporting Act.

A federal law passed in 1971 that regulates the activity of credit bureaus. It is designed to prevent inaccurate or obsolete information from staying in a consumer's credit file and requires credit bureaus to have reasonable procedures for gathering, maintaining and disseminating credit information. The act also requires credit bureaus to show a consumer their credit file if the consumer presents proper identification, although the bureau reserves the right to charge a fee for doing so.

Fair Debt Collection Practices Act.

A federal law passed in 1977 which outlaws debtor harassment and other types of collection practices. The act regulates collection agencies, original creditors who set up a separate office to collect debts, and lawyers hired by the creditor to help collect overdue bills. An original creditor--the company or individual that originally granted the credit--is not covered by the act, but may be covered by similar measures approved by state governments.

Fair Housing Act

Landmark federal law passed in 1965 and amended in 1988 that makes it illegal to deny rent or refuse to sell to anyone based on race, color, religion, sex or national origin. The 1988 amendment expanded the protections to include family status and disability.

Fannie Mae

The official name of the Federal National Mortgage Association, it is a congressionally chartered, shareholder-owned company that buys mortgages from lenders and resells them as securities on the secondary mortgage market.

Farmer's Home Administration

A U.S. Department of Agriculture agency that provides credit to farmers and rural residents.

Federal Home Loan Mortgage Corporation law

The Federal Home Loan Mortgage Corporation, commonly known as Freddie Mac. The company buys mortgages from lending institutions, pools them with other loans and then sells shares to investors.

Federal Housing Administration (FHA)

This government agency operates a variety of home-loan programs. Its most popular is the Sec. 203(b), program, which provides low-rate mortgages to buyers who make a down payment as small as 3 percent.

Federal National Mortgage Association

Now officially dubbed Fannie Mae, this federally chartered agency buys mortgages from lending institutions, pools them with other loans and sells shares to investors.

Federal Reserve Board

A group of economists and other experts who set the nation's monetary policy. Its chief tool to control inflation is the power to control interest rates.

Federal Trade Commission

The government agency responsible for regulating a variety of companies and industries, from credit bureaus and collection agencies to timeshare operators and certain types of creditors. National headquarters: Sixth and Pennsylvania Avenue NW, Washington, D.C. 20580. Phone: (202) 326-2222.

Fee simple

This type of ownership is the maximum interest a person can have in a piece of real estate. It entitles the owner to use the property in any manner they see fit, in accordance with state and local laws.

Fee simple defeasible

The owner of the property holds a fee simple title contingent upon certain conditions.

Federal style

The all-American home architecture style that evolved after the Revolutionary War. Details include bigger windows and a front doorway surrounded by glass and topped with an arched window.

FHA loans

Mortgages that are insured by the Federal Housing Administration. The FHA's 203(b) loan program provides low-rate mortgages to buyers who make a down payment as small as 3 percent. The agency also operates loan plans for investors and purchasers of rural property.

Feng shui
An ancient Chinese belief that the physical characteristics of a house and the positioning of the home will affect the fortunes of the owner.

Fiduciary duty
The relationship of trust that buyers and sellers expect from a real estate agent. The term also applies to legal and business relationships.

Finder's fee
A fee in any amount that is paid to someone.

First mortgage
The primary mortgage on a property that has priority over all other voluntary liens.

Fixed installment
The monthly payment on a home loan.

Fixed-rate mortgage
A home loan with an interest rate that will remain at a specific rate for the term of the loan. About 75 percent of all home mortgages have fixed rates.

Fully amortized adjustable-rate mortgage
A mortgage that amortizes, or pays down, the balance of a loan.

G

Georgian style

"Popular throughout the 18th century, this type of architecture is distinguished by a symmetrical facade, prominent front entrance and quoins-decorative blocks of masonry or wood set in the corners of the house."

Gift
A cash gift a buyer receives from a relative or other source. Lenders usually require a ""gift letter"" stating that the money will not have to be repaid.

Good-faith estimate
"An estimate from an institutional lender that shows the costs a borrower will incur, including loan-processing charges and inspection fees."

Government National Mortgage Association
Commonly known as Ginnie Mae, this agency buys home loans from lenders, pools them with other loans and sells shares to investors. Ginnie Mae differs from its cousins, Fannie Mae and Freddie Mac, in that it only purchases loans backed by the federal government.

Grace period
A specified amount of time to make a loan payment after its due date without penalty.

Graduated-payment mortgage (GPM)
A mortgage that requires a borrower to make larger monthly payments over the term of the loan. The payment is unusually low for the first few years but gradually rises until year three or five, then remains fixed.

Grantee
A person conveyed an interest in a piece of property.

Grantor
The person who conveys an interest in a piece of property to another person.

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Greek Revival style

A style introduced in the U.S. at the end of the 18th century. Its most prominent feature is a pillar-anchored pediment forming a portico in the front of the house.

Gross income

The total income of a household before taxes or expenses are subtracted.

Ground rent

The amount of money paid for the use of a piece of property when it is a leasehold estate.

Group home

A single-family residence used as a living space for unrelated, developmentally disabled or mentally disabled people.

Growing-equity mortgage

A fixed-rate mortgage that increases payments over a specific period of time. The extra funds are applied to the principal.

Guarantee mortgage

A loan guaranteed by a third party, such as a government institution.

H

Half-bath

"Also called a powder room, a half-bath contains a toilet and a sink but no bathtub or shower stall."

Hazard insurance

"This provision of homeowners insurance covers damage by fire, wind or other disaster. It is required by all lenders before a loan is approved."

Heat pump

An electric cooling and heating system.

High density

The concentration of housing units in a specific area or on a specific property.

High-rise

Any building higher than six stories.

Historic preservation

The physical rehabilitation of a historic home or building, and the movement of the same name, begun in the 1960s in the U.S. to preserve and protect landmarks and urban neighborhoods.

Historic structure

A home or building listed in the National Register of Historic Places and certified as historic by the U.S. Secretary of the Interior.

Home equity conversion mortgage

Loans made to older owners who want to convert equity into money. Because borrowers are qualified on the basis of the value of their home, e, the loan is not the same as a home equity loan. Also known as reverse mortgages.

Home equity

Home s equity is the difference between how much your home is worth and how much you owe on your mortgage.

Home equity loan

A loan that allows owners to borrow against the equity in their homes.

Home inspection
"An examination of a home's construction, condition and internal systems by an inspector or contractor prior to purchase."

Homeowners' association
A group that governs a modern subdivision or planned community. An association collects monthly fees from all owners to pay for maintenance of common areas, handle legal and safety issues, and enforce the covenants, conditions and restrictions set by the developer.

Homeowners' insurance
This insurance includes hazard coverage for any damages that may affect the value of a house, in addition to personal liability and theft coverage.

Homeowners' warranty
Special insurance policies that cover certain home repairs for a specified amount of time.

Home rule
The power of a local government to adopt its own land-use regulations.

Homesteading
A document that protects some of a home's equity from lawsuits.

Home warranty
A type of insurance that covers repairs to certain parts of a house and some fixtures.

Housing discrimination
The illegal practice of denying an individual or group the right to buy or rent a home based on race, color, religion, national origin, sex, disability or family status.

Housing expense ratio
The percentage of gross monthly income devoted to housing costs.

HUD-1 Uniform Settlement Statement
A closing statement or settlement sheet that outlines all closing costs on a real estate transaction or refinancing.

I

Impact fees
"Fees collected from developers of new homes to pay for schools, parks and other facilities."

Implied warranty of habitability
Court cases which determined that all new homes are assumed to be fit for human habitation and meet all building codes.

Impounds
A portion of the monthly mortgage payment that is placed in an account and used to pay for hazard insurance, property taxes and private mortgage insurance.

Income property
Property that is not occupied by the owner but is used to generate income.

Incurable defect
A defect in a property that cannot be fixed, such as an adjacent hazardous waste site, or that would cost too much to repair relative to the value of the property.

Index
Financial tables used by lenders to calculate interest rates on adjustable mortgages and on Treasury bills.

Individual Retirement Account

Tax-deferred savings accounts that allow people to accrue retirement funds.

Infrastructure

The roads, schools, parks, utilities, bridges and communications systems in a community.

Initial interest rate

The original interest rate on an adjustable mortgage.

Inspection report

An examination of a home's exterior, foundation, framing, plumbing, electrical system, heating, air conditioning, fireplace, kitchen, bathroom, roofing and interior.

Installment contract

A purchase agreement in which the buyer does not receive title to the property until all installments are paid.

Insurable title

Title to property that a company agrees to insure against defects and disputes.

Insurance

Owners and buyers can purchase various types of insurance: hazard, private mortgage and earthquake. The policies guarantee compensation for specific losses.

Insurance binder

A temporary insurance arrangement usually put in force until a permanent policy can be obtained.

Interest

The fee borrowers pay to obtain a loan. It is calculated based on a percentage of the total loan.

Interest accrual rate

The rate at which interest accrues on a mortgage.

Interest-only loan

The pays only the interest that accrues on the loan balance each month. Because each payment goes toward interest, the outstanding balance of the loan does not decline with each payment.

Interest rate

The sum, expressed as a percentage, charged for a loan. Interest payments on most home loans are tax-deductible.

Interest rate buy-down plans

For cash-short buyers, some sellers are willing to advance funds from the sale of the home to buy down the interest rate and reduce the buyer's monthly obligation.

Interest rate caps

A limit on the amount that can be charged to the monthly payment of an adjustable-rate mortgage during an adjustment period.

Interest rate ceiling

The highest interest a lender can charge for an adjustable-rate mortgage.

Investment property

Real estate that generates income, such as an apartment building or a rental house.

J

Joint liability

The responsibility of two or more people to fulfill the terms of a home loan or debt.

Joint tenancy

Ownership by two or more people that gives equal shares of a piece of property. Rights pass to the surviving owner or owners.

Judgment

The decision of a court or law. If a court decides that a person must repay a debt, a lien may be placed against that person's property.

Judicial foreclosure

A procedure to handle foreclosure proceedings as civil matters.

Jumbo mortgage

Loans that exceed limits set by Fannie Mae and Freddie Mac. The current limit is $300,700.

Junior mortgage

A loan that is subordinate to the primary loan.

K

Kit home

A structure that contains prefabricated components and is put together by a contractor.

L

Landscape

A home's surroundings can range from a shrub-studded emerald lawn to a native-plant xeriscape. It is a major component of curb appeal.

Late charge

A fee a lender imposes on a borrower when the borrower does not make a payment on time.

Late payment

A payment a lender receives after the due date has passed.

Latent defect

An invisible problem in a piece of property such as bad wiring, termite damage or lead paint.

Lead

A metallic chemical element present in older dwellings, primarily in the form of lead-based paint and lead plumbing. Exposure to lead has been found to be a health risk.

Lease

A binding agreement that contains the terms and conditions of a renter's occupancy.

Leasehold estate

An arrangement in which the borrower does not own a specific piece of property but possesses a long-term lease.

Lease option

A lease that contains the right to purchase the property for a specific price within a certain time frame.

Lender

A bank, savings institution or mortgage company that offers home loans.

Legal blemish
Blemishes on a piece of property, such as a zoning violation or fraudulent title claim.

Legal description
A specific way of identifying and locating a piece of real estate that is acceptable to a court.

Letter of intent
A formal statement that the buyer intends to purchase the property for a certain price on a certain date.

Leverage
The use of a small amount of cash--a 5 percent or 10 percent down payment--to buy a piece of property.

Liabilities
A borrower's debts and financial obligations.

Liability insurance
A policy that protects owners against any claims of negligence, personal injury or property damage.

Lien
A claim laid by one person or company on the property of another as security for money owed.

Life cap
A limit on the amount that a loan rate can move during the term of the mortgage. For example, the rate on an adjustable-rate mortgage that begins at

5 percent and has a lifetime cap of 6 percentage points cannot rise above 11 percent, even if rates on fixed-rate mortgages soar to 20 percent.

Life-cycle cost analysis

An analysis of a building project's expected operating, maintenance and replacement costs, calculated by an architect.

Limited partnership

Real estate syndicates and other investment groups use this type of ownership.. A general partner makes the group's investment decisions, oversees the investment and is principally liable for any losses.

Liquid assets

Cash and all other assets that can be converted to cash relatively quickly. Liquid assets can include money in savings and checking accounts, money-market accounts, and most certificates of deposit.

Log cabin

Homes constructed of rough-hewn timbers and a standard housing form in the early European settlement of the U.S.

Low-ball offer

An offer made to a seller that is substantially below market value. The longer a property stays on the market, the more likely there are to be such offers.

Low density

A low concentration of housing units in a specific area.

Low-documentation loan

A mortgage that requires only minimal verification of income and assets.

Low-down-payment loan

A home loan that requires the borrower to make only a small down payment before obtaining the financing needed to purchase a house.

M

Manufactured housing
Prefabricated homes that can range from simple trailers to larger dwellings.

Maintenance fee
The monthly assessment members of a homeowners' association pay for the repair and maintenance of common areas.

Margin
The lender's 'retail markup' on the mortgage. For example, if the index rate for an adjustable-rate mortgage is 5 percent but the lender has a 2.5 percentage-point margin, the rate the borrower will pay is 7.5 percent.

Market conditions
Factors affecting the sale and purchase of homes at a particular point in time.

Market value
The price that a piece of property sells for at a particular point in time.

Mechanical systems
A home's plumbing, wiring, heating and cooling systems.

Mechanic's lien
Subcontractors or suppliers sometimes will file an encumbrance, or mechanic's lien, against a property to seek payment.

Mediation

A dispute-resolution process in which a neutral party works to resolve contract differences.

Move-up buyer
A buyer who has purchased a home before and is looking for a bigger or more expensive home.

Multidwelling property
A property that contains individual units for several households but carries only one mortgage.

Multifamily mortgage
A mortgage on a multifamily dwelling with more than four families, typically an apartment building.

Multiple listing service (MLS)
The service combines the listings for all available homes in an area, except For-Sale-By-Owner (FSBO) properties, in one directory or database.

Multiple offers
Multiple purchase offers occur in hot markets or hot neighborhoods.

Municipal housing inspector
Inspectors employed by cities or counties to check all construction sites and verify that contractors are meeting building codes.

N

Negative amortization
The situation occurs when a borrower's monthly payment is not large enough to cover both the principal and interest of a loan. As a result, the outstanding balance of the loan actually grows larger with each payment rather than smaller.

Most fixed-rate loans are not subject to negative amortization, but many adjustable-rate mortgages are susceptible.

Net cash flow

Investment property that generates income after expenses such as principal, interest, taxes and insurance are subtracted.

Net worth

The worth of a person or company based on the difference between total assets and liabilities.

New Urbanism

A community design philosophy that favors the return of new-home development with such traditional features as prominent front porches, backyard garages, multi-use buildings and housing clustered near commercial service areas.

No cash-out refinance

The amount of the new mortgage covers the remaining balance of the first loan, closing costs, any liens and cash no more than 1 percent of the principal on the new loan.

No-competition lots

A lot in which the buyer's home will be constructed by a particular builder.

No-documentation loan

A loan application that does not require verification of income but typically is granted in cases of large down payments.

Non-assumption clause

A loan provision that prohibits the transfer of a mortgage to another borrower without lender approval.

Non-liquid asset
An asset such as a house that is not easily turned into cash.

Non-recurring closing costs
Costs that are one-time only fees for such items as an appraisal, loan points, credit report, title insurance and a home inspection.

Note
The legal document that requires a borrower to repay a mortgage at a certain interest rate over a specified period of time.

Note rate
The interest rate specified in a mortgage note.

Notice of default
A lender's initial action when a mortgage payment is late and attempts to reconcile the issue out of court have failed.

O

Open house
A marketing tool in which a listing agent opens a house for view.

Open listing
A property given to a number of brokers to market at the same time.

Option
A situation in which a buyer puts down money for the right to purchase a piece of real estate within a set time period but does not have an obligation to buy.

Oral agreement
Contractual arrangements that are not in writing and are usually not legally binding.

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Original principal balance
The amount of principal owed on a loan before a borrower makes any payments.

Origination fee
A fee charged by most lenders — also called points — for processing a loan. A point is 1 percent of the total loan amount.

Owner financing
A transaction in which the seller of a property agrees to finance all or part of the purchase.

P

Parcel
An officially described piece of land.

Partnership
There are several partnership options for unmarried individuals to buy a piece of property, such as live-in partnerships (in which both buyers share the residence) or a shared-equity partnership (in which one buyer lives in the home and the other is an investor in the property).

Passive loss
A tax term that refers to any loss from a passive activity, such as the ownership but not the operation of a piece of rental real estate.

Passive solar system
A system that supplies solar heat without the use of electric fans or pumps.

Patent defect
A visible deficiency in a piece of property, such as a cracked basement slab or a sagging porch.

Payment cap

A legal limit on the amount a monthly payment can increase on an adjustable-rate mortgage.

Percolation test
A test used to determine the ability of soil to accommodate a septic system.

Per-diem interest
Interest charged or accrued daily.

Personal property
Any moveable property in a house such as furniture or appliances.

Pest-control inspection
A common pest-control inspection is a termite inspection, which is required in some states, such as California.

Pier
A rectangular masonry support column.

PITI (Principal, Interest, Taxes, Insurance)
When a buyer applies for a loan, the lender will calculate the principal, interest, taxes and insurance. The figure is designed to represent the borrower's actual monthly mortgage-related expenses.

Planned-unit development
Residents own the home and the land, and share the use and financial responsibility for common areas.

Point
Fees charged by lenders at the time a loan is originated. A point is equal to 1 percent of the total loan amount.

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Purchase-money mortgage
A mortgage that a borrower obtains to acquire a property.

Q

Qualifying ratios
Lenders compute qualifying ratios to determine how much a potential buyer can borrow.

Queen Anne style
A Victorian-era style that originated in San Francisco.

Quit-claim deed
A document that releases a party from any interest in a piece of real estate.

R

R-value
A construction term that refers to the resistance of to heat loss. The higher the R-value, the slower the rate of heat loss.

Radon
A ground-generated radioactive gas that seeps into some homes through sump pumps, cracks in the foundation and other inlets. A leading cause of lung cancer , radon is found in mostly the northern half of the country.

Ranch style
Modern ranch-style homes, popularized in the 1950s, were championed by such architectural giants as Frank Lloyd Wright.

Rate-improvement mortgage
A loan with a clause that entitles a borrower to a one-time cut in the interest rate without going through refinancing.

Rate lock

When interest rates are volatile, many borrowers want to ""lock in"" an interest rate and many lenders will oblige, setting a limit on the amount of time the guaranteed interest rate is in effect.

Real estate

Land and anything permanently affixed to it, including buildings, fences and other items attached to the structure.

Real estate agent

A real estate agent has a state license to represent a buyer or a seller in a real estate transaction in exchange for a commission. Most agents work for real estate brokers.

Real estate attorney

A lawyers who specializes in real estate transactions.

Real estate broker

A real estate agent who is licensed by the state to represent a buyer or seller in a real estate transaction in exchange for a commission. Most brokers also have agents working for them, and are entitled to a portion of their commissions.

Real estate investment trusts (REITs)

The trusts are publicly traded companies that own, develop and operate commercial properties.

Real Estate Settlement Procedures Act (RESPA)

A federal law designed to make sellers and buyers aware of settlement fees and other transaction-related costs. RESPA also outlaws kickbacks in the real estate business.

Real property

Land and any permanent fixtures on it, including buildings, trees and minerals.

Realtist
A designation for an agent or broker who is a member of the National Association of Real Estate Brokers.

Realtor
A designation for an agent or broker who is a member of the National Association of Realtors.

Recission
The cancellation of a contract by law or consent by the parties involved.

Reconveyance
When a borrower completely pays off the mortgage, the property is reconveyed to them from the lender.

Recorder
A public official responsible for keeping the records of all real estate transactions.

Recording
The filing of a specific document to the appropriate government entity.

Right of first refusal
An agreement by a property owner to give another person the right to buy or rent the property before it goes on the open market.

Right to rescission
A provision in the federal Truth-in-Lending Act that allows borrowers to cancel certain kinds of loans within three days of signing.

Rural Housing Service

A U.S. Department of Agriculture program that provides financing to farmers and certain borrowers to purchase rural property when other funds are not available.

S

Sale-leaseback
A transaction in which the buyer leases back the property to the seller for a specified period of time.

Sales contract
A contract signed by the buyer and seller that details the terms of a home purchase.

Saltbox style
A design that dates to colonial times and takes its name from the shape of saltboxes.

Sanitary sewer
The drain line in a house that carries away food and human wastewater to a municipal sewer system or a septic system.

Second mortgage
Another loan placed upon a piece of property.

Secondary mortgage market
A market of packaged home loans that are resold as securities to investors. Major players are Fannie Mae and Freddie Mac.

Secured loan
Any loan backed by collateral.

Security

A piece of property designated as collateral.

Seller broker

A seller broker represents the interest of the seller.

Seller carry-back

An agreement in which the seller provides financing for a home purchase.

Seller take-back

An agreement in which the seller provides financing for a home purchase.

Seller's market

A hot real estate market in which sellers have the advantage and multiple offers are common.

Septic system

A self-contained sewage treatment system that distributes wastewater to an underground storage area and relies on bacterial action to decompose solid waste matter.

Servicer

A firm that collects mortgage payments and manages borrowers' escrow accounts.

Settlement statement

A document that details who has paid what to whom.

Shared-appreciation mortgage

A loan that allows a lender or other party to share in the borrower's profits when the home is sold.

Shared-equity transaction

A transaction in which two buyers purchase a property, one as a resident co-owner and the other as an investor co-owner.

Subordinate loan
A second or third mortgage.

Sump pump
A pump that moves water from a basement sump pit.

Survey
A precise measurement of a piece of property by a licensed surveyor.

Sweat equity
"The non-cash value put into a piece of property by the owner, such as do-it-yourself home improvements."

T

Tax deduction
A tax break given by the government. Mortgage interest, loan points and property taxes can be deducted.

Tax lien
An impediment placed against a property, such as back taxes.

Tax sale
The public sale of a property by the government for nonpayment of taxes.

Tax shelter
A term often applied to real estate investment and refers to various tax advantages.

Teaser rate

A low, short-term rate offered on a mortgage to entice the borrower.

Tenancy by the entirety

When a married couple owns a home, it is usually considered tenancy by the entirety If the property must be sold to pay the debts of one spouse, both must agree.

Tenants in common

Two or more owners who share interest in a specific property.

The 72-hour clause

"When a buyer has a house to sell before they can purchase another home, most sellers insist on a 72-hour clause. In the event of a better offer coming in before the contingency is settled, this clause entitles the seller to give the buyer 72 hours to remove the contingency or lose the house."

Third-party origination

"In a third-party origination transaction, the lender has another institution originate all or part of a mortgage."

Truth-in-Lending Act

A federal law that protects consumers in a variety of ways. One of its key provisions allows a consumer to cancel a home-improvement loan, second mortgage or other loan if the home was pledged as security (except for a first mortgage or first trust deed) until midnight of the third business day after the contract was signed.

Two-step mortgage

An adjustable mortgage with two interest rates, one for the first five or seven years of the loan, and the other for the remainder of the loan term.

U

Underwriting

The process that lenders go through to evaluate the risks posed by a particular borrower and to set appropriate conditions for the loan.

Unrecorded deed

An unrecorded deed transfers ownership from one party to another without being officially recorded.

U.S. Department of Housing and Urban Development (HUD)

A federal agency that oversees the Federal Housing Administration and a variety of housing and community development programs.

Unsecured loan

Any loan that is not backed by collateral.

Upgrades

Options than the standard carpeting, lighting, finish carpentry and other amenities offered to all buyers in a new-home project.

Upzoning

The process in which a property is zoned from a lower to a higher use.

Usury

A reference to illegally excessive interest charged on any loan.

V

Variable interest rate

A loan rate that moves up and down based on factors including changes in the rate paid on bank certificates of deposit or Treasury bills.

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Variable rate mortgage
A loan with an interest rate that hinges on factors such as the rate paid on bank certificates and Treasury bills.

Variable rate
An interest rate that changes with fluctuations in such indexes as the U.S. Treasury bill index.

Verification of deposit
Part of the loan process, in which a lender will ask a borrower's bank to sign a statement verifying the borrower's account balances and history.

Verification of employment
Part of the loan process, in which a lender asks the borrower's employer for confirmation of the borrower's position and salary.

Veterans Administration (VA)
The U.S. Department of Veterans Affairs operates a variety of programs to help veterans. One of the key plans it oversees is the VA loan program, which allows most veterans to purchase a house without a down payment.

Victorian style
An architectural style that dates from the mid-19th century.

Voluntary lien
A lien that a homeowner willingly gives to a lender.

VA loans
A program that allows most veterans to purchase a house without a down payment.

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W

Waiver
A voluntary relinquishing of certain rights or claims.

Walk-out basement
A feature that allows a door to open onto ground level.

Walk-through
A buyer's final inspection of the home to determine if conditions in the purchase agreement have been satisfied.

Warranty
A legally binding promise to do something in the future.

Wetlands
Watery areas such as swamps, marshes and floodplains.

Will
The most basic legal document outlining the disposition of a person's estate in the event of death.

Wraparound mortgage
A loan to a buyer for the remaining balance on a seller's first mortgage and an additional amount requested by the seller. Payments on both loans are made to the lender who holds the wraparound loan.

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