

Terms You SHOULD KNOW



AMORTIZED LOAN: A loan that is paid off - both interest and principal - by regular payments that are equal or nearly equal.

AMENDMENT: A change - to alter, add to, or correct - part of an agreement without changing the idea or essence.

APPRAISAL: An estimate of value of property resulting from analysis of facts about the property; an opinion of value.

ASSUMPTION: Taking over another person's financial obligation; taking title to a property with the Buyer assuming liability for paying an existing note secured by a deed of trust against the property.

BENEFICIARY: The recipient of benefits, often from a deed of trust; usually the Lender.

CLOSE OF ESCROW: The date the documents are recorded and title passes from Seller to Buyer. On this date, the Buyer becomes the legal owner, and title insurance becomes effective.

CLOUD ON TITLE: A claim, encumbrance, or condition that impairs the title to real property until disproved or eliminated through such means as a quitclaim deed or a quiet title legal action.

COMPARABLE SALES: Sales that have similar characteristics as the subject property, used for analysis in the appraisal. Commonly called "comps."

CONSUMMATION: Occurs when the consumer or borrower becomes legally obligated to the creditor on the loan, not, for example, when the consumer becomes contractually obligated to a Seller on a real estate transaction.

CONVEYANCE: An instrument in writing, such as a deed used to transfer (convey) title to property from one person to another.

DEED OF TRUST: An instrument used in many states in place of a mortgage. A written instrument by which title to an interest in land is transferred by the trustor to a trustee for a loan or other obligation.

DEED RESTRICTIONS: Limitations in the deed to a property that dictate certain uses that may or may not be made of the property.

EARNEST MONEY DEPOSIT: Down payment made by a purchaser of real estate as evidence of good faith; a deposit or partial payment.

EASEMENT: A right, privilege, or interest limited to a specific purpose that one party has in the land of another.

ENCUMBRANCE: Anything that affects or limits the fee simple title to a property, such as mortgages, leases, easements, deeds, or restrictions.

HAZARD INSURANCE: Real estate insurance protecting against fire, some natural causes, vandalism, etc., depending upon the policy. Buyer often adds liability insurance and extended-coverage for personal property.

IMPOUNDS: A trust type of account established by Lenders for the accumulation of borrower's funds to meet periodic payments of taxes, mortgage insurance premiums, and/or future insurance policy premiums, required to protect their security.

LEGAL DESCRIPTION: A property description, recognized by law, using a government rectangular survey, metes and bounds, or a plat map to sufficiently locate and identify a property.

LIEN: A form of encumbrance that usually makes a specific property the security for the payment of a debt or discharge of an obligation. For example, judgments, taxes, mortgages, deeds of trust.

MULTIPLE LISTING SERVICE (MLS): The MLS is a database of properties listed for sale by REALTORS® who are members of the local Board of REALTORS®.

MORTGAGE: The instrument by which real property is pledged as security for repayment of a loan.

PRINCIPAL, INTEREST, TAXES, & INSURANCE (PITI): A payment that combines Principal, Interest, Taxes, and Insurance.

POWER OF ATTORNEY: A legal document that gives someone you choose the power to act in your place.

PRINCIPAL: The amount borrowed or remaining unpaid. The part of the monthly payment that reduces the remaining balance of a mortgage.

PRORATE: Used to describe the division of real estate expenses to the proportion of ownership or rental. At closing, any expenses that were prepaid by the Seller are prorated to his portion of ownership.

PURCHASE AGREEMENT: The purchase contract between the Buyer and Seller, also known as a Purchase and Sale Agreement or a Buy/Sell Agreement. It is usually completed by the Real Estate Agent and signed by the Buyer and Seller.

QUITCLAIM DEED: A deed operating as a release, intending to pass any title, interest, or claim which the grantor may have in the property, but not containing any warranty of a valid interest or title by the grantor.

RECORDING: Filing documents affecting real property with the County Recorder as a matter of public record.

VESTING: When a deed is recorded for real property, ownership is described using the name of the owner(s), and often a phrase which describes the legal relationship between multiple owners or married persons.

WARRANTY DEED: A real estate oriented document used to convey fee title to real property from the grantor (usually the Seller) to the grantee (usually the Buyer). It includes warranty language from the Seller to the Buyer.



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