Real Estate Terms Simplified

Adjustable Rate Mortgage (ARM): A mortgage whose interest rate maybe changed at specified times, within specified limits, based on a specified index.
Annual Percentage Rate (APR): The finance charge calculated over 1 year taking into consideration all costs of the loan as required by the Truth in Lending Act.
Amortization: Paying off a debt by making periodic payments of both principal and interest.
Appreciation: The amount of increase in property value.
Balloon: The final payment, usually a lump sum, that is due on the maturity date of the mortgage.
Blanket Mortgage: One mortgage, which covers more than one property.
Closing Costs: Expenses incurred in buying a home including but not limited to attorney's fees, title insurance premium, land survey, title search, recording fees, appraisal cost, & mortgage application fees.
Collateral : The property used as security for a loan and is subject to seizure if the borrower defaults.
Conveyance: The transfer of ownership of real property from one person to another.
Default: Failure to fulfill the obligations of a loan, such as failing to make payments.
Earnest Money: The down payment deposited by the Buyer under the terms of the contract.
Equity:The difference between the market value of a home and the amount of the mortgage secured.
Escrow Payment: The portion of the monthly mortgage payment held by the lender to be applied to real estate taxes, hazard insurance, and/or mortgage insurance.
Fannie Mae: Federal National Mortgage Association.
Fizzbo(FSBO): For Sale By Owner
Fixed Rate Loan: The interest rate remains constant over the life of the loan.
Freddie Mac: Federal Home Loan Mortgage Corporation Index: Any specified indication of prevailing interest rates or economic condition that is easily verifiable.
Leverage: The use of borrowed money to purchase property.
Maturity: The date on which a mortgage or note becomes due.
Mortgage: The conveyance or pledge of property in security of a loan.
Mortgagee: The lender in a loan transaction.
Mortgagor: The borrower who pledges or conveys his property to the mortgagee as security for the loan.
Negative Amortization: When the payment made is less than the interest rate on the mortgage the principal increases and the borrower owes more than the original principal.
PITI: Principal, Interest, Taxes and Insurance, the most common components of themonthly payment.
Points: The amount of money the buyer or seller must pay to the lender in order to get the mortgage at a specified interest rate. One point equals 1% of the principal amount.
Principal : The dollar amount borrowed when a mortgage is obtained.
Principal Balance: The remaining balance due on a loan.
Private Mortgage: Insurance (PMI): Insurance written by a private insurance company that protects the lender in the event the borrower defaultson the loan. The borrower pays premiums.
Recording: The filing of the deed, note or other transactions on the public land records.
Refinancing: The repayment of a loan by securing another using the same property as security.
Second Mortgage: An additional mortgage that is subordinate to the first or primary mortgage. In case of default, the second mortgagee receives his funds only after the first mortgagee is paid.
Term: The length of time over which the loan will be repaid.
Title Insurance: An insurance policy that protects the owner or mortgagee from losses arising from defects in the title to a parcel of reale state.