



HOME BUYER TERMINOLOGY

Use this list to help you understand the definitions of important home buyer terminology.

Term	Definition
Adjustable-Rate Mortgage (ARM)	A loan with an interest rate that changes based on a financial index causing monthly payments to rise and fall.
Amortization	Paying off your debt in incremental payments, instead of one full payment.
Appraisal	A professional report from a 3rd party that estimates the value of a property for you.
Closing	The final meeting where both parties sign the required paperwork and ownership of the property is transferred from the home seller to you.
Closing Costs	Additional fees associated with the transaction, not including the cost of the home.
Contingencies	Required conditions that must be met before the closing. The contract can be cancelled if these conditions are not met.
Debt Ratio	The ratio between your income and debt. A loaner will use this ratio to determine the amount of money they are willing to loan you.
Deed	The written document that is used to transfer ownership of a property to you.
Down Payment	The upfront cash payment for a property, the remaining is paid through a mortgage.
Earnest Money	The deposit you pay when you sign the contract to show you're a serious buyer.
Escalation Clause	A clause in a contract that increases your offer when a new offer is made.
ESCROW	Money, deed, or other documents kept in the custody of a 3rd party – closes once all contingencies are met.
Equity	The value of the property minus the amount left on your mortgage.
FHA Loan	A mortgage from a lender, insured by the Federal Housing Association – it usually requires a good credit score and a down payment to qualify.
Final Walkthrough	The last inspection of the property before signing the closing documents.
Fixed Rate	The opposite of ARM – a loan with an interest rate that stays consistent.
Foreclosure	When ownership of a property transfers to the lender due to failed payments by the buyer.
Home Inspection	A report by a professional that examines the issues of the property, structure, roof, etc.
Lender	An entity, usually a bank, that issues a loan for you to purchase a home.
Mortgage	The loan from a lender or bank used to purchase your home.
Multiple Listing Service (MLS)	The list of properties that are for sale – the most reliable source for listing information.
Pending	When an offer was accepted, the contract is signed, and all contingencies are met.
Pre-Approval	The lender's process of accessing your financial capabilities - based on your income, debts, credit score, employment history and assets.
Pre-Qualification	A lender has pre-determined that you qualify for a loan to purchase a property.
Property Tax	The local taxes you're required to pay – included in your total monthly mortgage payment.
Real Estate Agent	A licensed professional that represents a buyer or seller – not all agents are REALTORS®.
REALTOR®	A designation indicating the agent is a member of the National Association of REALTORS®.
Settlement Statement (aka HUD)	The document with your sales transaction and closing costs.
Title (aka Title Deed)	The legal document that shows the history of ownership and transfers of a property – proves you are the current and rightful owner of the property.
Under Contract	The seller and buyer have agreed to a contract, but contingencies have not been met.
VA Loan	Mortgages issued to United States veterans – issued by the Department of Veteran Affairs.

Please do not hesitate to give me a call if you have any questions.