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## GLOSSARY - REAL ESTATE TERMS

**BELOW IS A PARTIAL COMPILATION OF COMMONLY USED REAL ESTATE TERMS. THIS IS NOT A COMPREHENSIVE LIST OF EVERY REAL ESTATE TERM. IT IS ONLY HERE TO HELP YOU. IF YOU HAVE A QUESTION ABOUT A REAL ESTATE TERM FOR A TRANSACTION YOU ARE INVOLVED WITH, YOU SHOULD HIRE A LAWYER. THIS PARTIAL LIST IS NOT A SUBSTITUTE FOR COMPETENT LEGAL ADVICE.**

<b>A/C</b>	<b>Air Conditioning</b>
<b>Acknowledgement</b>	<b>To acknowledge is to admit, affirm, declare, testify, avow, confess or own as genuine. In a legal document, an acknowledgement is the formal declaration before an authorized official by the person who executed the instrument as his or her free act and deed.</b>
<b>Administrator</b>	<b>A person appointed by the court to administer (i.e., manage or take charge of) the assets and liabilities of a decedent (i.e., the deceased). Such person may be a male (i.e., administrator) or a female (i.e., administratrix).</b>
<b>ALTA</b>	<b>American Land Title Association</b>
<b>Amortization</b>	<b>Method used to calculate repayment of principal and interest over a given period of time.</b>
<b>Annual Percentage Rate (APR)</b>	<b>A term defined in Regulation Z, which expresses on an annualized basis the charges, imposed on the borrower to obtain a loan (finance charges) including interest, discount and other costs.</b>
<b>Appraisal</b>	<b>A written report estimating the market value of the property. Appraisals must be performed by state licensed and/or certified appraisers according to Uniform Appraisal Standards.</b>
<b>ARM</b>	<b>Common acronym for Adjustable Rate Mortgage. A mortgage with an interest rate and payment that change periodically over the life of the loan based on changes in a specified index.</b>
<b>Assignment</b>	<b>The transfer of ownership of an asset from one person to another.</b>
<b>Balloon Mortgage</b>	<b>A mortgage with periodic installments of principal and interest that do not fully amortize the loan. The balance</b>

	of the mortgage is due in a lump sum at a specified date (balloon payment), usually at the end of the balloon term.
<b>Bankruptcy</b>	Court proceedings to dismiss the debts of an individual or business unable to pay creditors.
<b>Beneficiary</b>	One who benefits from the act of another. As it relates to trust beneficiaries, a beneficiary includes a person who has any present or future interest, vested or contingent, and also includes the owner of an interest by assignment or other transfer. A person for whose benefit property is held in trust.
<b>Borrower</b>	He to whom a thing or money is lent at his request.
<b>Bridge Loan</b>	A loan which enables a homebuyer to get financing to make a down payment and pay closing costs on a new home before selling their current home.
<b>Caps</b>	Predetermined limitations on the amount that an ARM interest rate may change at each adjustment, and over the life of the loan.
<b>Clear Title</b>	Unencumbered title to real property, free of liens or defects.
<b>Closing Costs</b>	The expenses which borrowers incur to complete the loan transaction. These costs may include title searches, title insurance, closing fees, recording fees, processing fees and other charges.
<b>Closing Date</b>	The date that the property transaction is set to close.
<b>Consideration</b>	The inducement to a contract. The cause, motive, price, or impelling influence which induces a contracting party to enter into a contract. The reason or material cause of a contract. Some right, interest, profit or benefit accruing to one party, or some forbearance, detriment, loss, or responsibility, given, suffered, or undertaken by the other.
<b>Debt-to-Income Ratio</b>	The relationship of a borrower's monthly payment obligations divided by gross monthly income, expressed as a percentage. Also called the bottom or back ratio.
<b>Deed of Trust</b>	A deed of trust is a mortgage with a power of sale. Although a deed of trust by its literal terms conveys the described property in trust to the trustee, under Texas law its actual effect is to create a lien against the property to secure a debt of the grantor of the lien to the beneficiary of the lien. The primary advantage of the deed of trust over the type of mortgage used in many other states is that it provides the default remedy of non-

	<p>judicial foreclosure by a trustee's sale without the necessity of a lawsuit. Texas does not permit non-judicial foreclosure in home equity loans. Deeds of Trusts are similar to mortgages in that they serve as security for a loan by encumbering real estate. However, a mortgage is between two parties (borrower and lender) and a deed of trust involves three parties (borrower, lender and trustee). The trustee holds the property in trust as security for the payment of the debt and can sell the property if the borrower defaults.</p>
<b>Default</b>	<p>A breach or non-performance of the terms of a note or the covenants of a mortgage.</p>
<b>Earnest Money</b>	<p>A deposit made to bind the conditions of a sale of real estate.</p>
<b>EPA</b>	<p>Environmental Protection Agency</p>
<b>Escrow Account</b>	<p>An account established with the lender or servicer and paid into monthly by borrowers (along with their principal and interest payments) for the payment of real estate taxes, hazard insurance, PMI and flood insurance.</p>
<b>Escrow Agent/Escrow</b>	<p>An independent third party (frequently the title company) who acts as an agent for the borrower and the lender carrying out the instructions of each and disbursing documentation and funds to the proper parties at closing.</p>
<b>Executor</b>	<p>A person appointed by a testator to carry out the directions and requests in his will, and to dispose of the property according to his testamentary provisions after his decease. A person who either expressly or by implication is appointed by a testator to carry out the testator's directions concerning the dispositions he makes under his will.</p>
<b>Executrix</b>	<p>Female executor. A woman who has been appointed by will to execute such will or testament.</p>
<b>FAR</b>	<p>Floor-Area Ratio</p>
<b>FDIC</b>	<p>Federal Deposit Insurance Corporation</p>
<b>FHA</b>	<p>Federal Housing Administration</p>
<b>FHLMC</b>	<p>Federal Home Loan Mortgage Corporation (Freddie Mac).</p>
<b>Flood Insurance</b>	<p>Flood insurance is required on all properties located in</p>

	<p><b>Special Flood Hazard Zones.</b> Flood certifications will indicate whether the property lies within an area so designated. Flood insurance, if required, will be escrowed for and paid on the borrowers behalf by the lender as part of servicing the loan.</p>
<b>FMV</b>	<p><b>Fair Market Value.</b></p>
<b>Foreclosure</b>	<p>The legal process by which property that is mortgaged as security for a loan may be sold to pay a defaulting borrower's loan.</p>
<b>FRM</b>	<p><b>Common Acronym for Fixed Rate Mortgage.</b> FRMs offer slightly higher rates than ARMs with no risk of rate increases in the future. Payments remain the same for the life of the loan.</p>
<b>General Warranty Deed</b>	<p>A general warranty deed conveys to a grantee a fee simple estate in real property with a covenant of general warranty in the real property subject to the reservations and exceptions stated in the deed.</p>
<b>Good Faith Estimate</b>	<p>A document that tells borrowers the approximate costs they will pay at or before settlement, based on common practice in the locality.</p>
<b>Grant</b>	<p>To bestow; to confer upon some one other than the person or entity which makes the grant. A conveyance; i.e. transfer of title by deed or other instrument. Transfer of property real or personal by deed or writing.</p>
<b>Grantee</b>	<p>One to whom a grant is made.</p>
<b>Granting Clause</b>	<p>That portion of a deed or instrument of conveyance which contains the words of transfer of a present interest.</p>
<b>Grantor</b>	<p>The person by whom a grant is made. A transferor of property. The creator of a trust is usually designated as the grantor of the trust.</p>
<b>Guardian</b>	<p><b>Guardian.</b> Person appointed by a court to manage the affairs and to protect the interests of another who is adjudged incompetent by reason of age, physical or mental status, and is thereby unable to manage his or her own affairs.</p>
<b>Hazard Insurance</b>	<p>Insurance to protect the homeowner and the lender against physical damage to the property from fire, wind, vandalism, or other hazards. Evidence of existing policies along with a paid receipt for the first year's premium is typically required. Standard requirements generally call for coverage providing benefits in an amount equal to the principal balance of the mortgage</p>

	or the maximum insurable value of the property, whichever is less.
<b>HUD-1 Uniform Settlement Statement</b>	Standard form used to disclose costs at closing.
<b>HVAC</b>	Heating, ventilation and air conditioning.
<b>Interest</b>	The most general term that can be employed to denote a right, claim, title, or legal share in something. When discussing for the use of money, interest is the compensation allowed by law or fixed by the parties for the use or forbearance or detention of money. It is the basic cost for borrowing money. Payments a borrower makes to a lender for the use of the money.
<b>Interest Rate Adjustment</b>	The point(s) in time at which the interest rate on an ARM loan automatically adjusts. Interest rate adjustment periods may range from six months to as long as ten years as stated in the terms of the note.
<b>Intestate</b>	Without making a will. A person is said to die intestate when he dies without making a will.
<b>IRA</b>	Individual Retirement Account
<b>IRS</b>	Internal Revenue Service
<b>Joint Tenancy</b>	Joint tenants have one and the same interest accruing by one and the same conveyance commencing at one and the same time and held by one and the same undivided possession. The main incident of Joint Tenancy is survivorship, by which the entire tenancy on the death of any Joint Tenant remains to the survivor, and ultimately to the last survivor. A Joint Tenant will not be able to will his or her portion because upon death of a Joint Tenant, the survivor(s) immediately succeed to the right of the deceased Joint Tenant. Joint Tenancy can be between any two parties or more, including husband and wife, but as indicated under Tenants by the Entirety, only husband and wife can hold as Tenants by the Entirety.
<b>Jumbo or Non-</b>	Loans that exceed the FNMA/FHLMC maximum loan limit guidelines.

<b>Land Contract</b>	<b>An agreement to transfer title to a property once conditions of the contract have been fulfilled.</b>
<b>Legal Description</b>	<p><b>Every deed, release, deed of trust, or mechanic's lien contains a description of the land involved. The purpose of the legal description, obviously, is to fix the boundaries of the land to be sold, transferred or released from a lien. The legal description delineates a specific piece of land and cannot apply to any other. A street address is not a legal description. A street address may be adequate for the purpose of guiding guests to your home or for mail delivery, but greater precision is needed to fix the exact point where your land ends and where your neighbor's begins. Hence, we have the legal description. Whenever you read a legal description, keep in mind that before the legal description had been written, some person, probably a land surveyor, went out and located the boundaries of the tract. The land surveyor then put into words directions for locating the lines the surveyor had traced on the land. The written directions are called a legal description of the land.</b></p> <p><b>A legal description may be found on a land survey or prior deed for the property. If any doubt exists, a surveyor or title company can be retained to establish and confirm the accurate legal description for the property.</b></p>
<b>Lender</b>	<b>He from whom a thing or money is borrowed. A bank or other lending institution.</b>
<b>LTV</b>	<b>Loan-to-Value Ratio. The balance(s) of secured loans expressed as a percentage of the subject property's value.</b>
<b>Maker</b>	<b>One who makes or executes; as the maker of a promissory note. One who signs a note to borrow.</b>

<b>Mechanic's Lien</b>	<b>A claim created by statute for the purpose of securing priority of payment of the price or value of work performed and materials furnished in erecting or repairing a building or other structure, and as such attaches to the land as well as buildings and improvements erected thereon. Such lien covers materialmen, tradesmen, suppliers, and the like, who furnish services, labor, or materials on construction or improvement of property.</b>
<b>MLS</b>	<b>Multiple Listing Service</b>
<b>Mortgage</b>	<b>A mortgage is an interest in land created by a written instrument providing security for the performance of a duty or the payment of a debt. A conventional home mortgage is the common security device used by those who wish to purchase a home by transferring to the bank or other financial institution or lender a lien or defeasible legal title in return for the price or part of the price of the home. Simply put, a pledge of real property as security for a debt.</b>
<b>Mortgagee</b>	<b>He that takes or receives a mortgage. (i.e., the lender in a mortgage transaction).</b>
<b>Mortgagor</b>	<b>One who, having all or some part of title to the property, by written instrument pledges that property for some particular purpose such as security for a debt. That party to a mortgage who gives legal title or a lien to the mortgagee to secure the mortgage loan. (i.e., the borrower in a mortgage transaction).</b>
<b>Notary Public</b>	<b>A public officer whose function it is to administer oaths; to attest and certify, by his hand and official seal, certain classes of documents, in order to give them credit and authenticity in foreign jurisdictions; to take acknowledgments of deeds and other conveyances, and certify the same. One who is authorized by the state or federal government to administer oaths, and to attest to the authenticity of signatures.</b>
<b>Note</b>	<b>An instrument containing an express and absolute promise of signer (i.e., maker) to pay to a specified person or order, or bearer, a definite sum of money at a specified time.</b>
<b>Origination</b>	<b>Securing a completed mortgage application form a borrower.</b>
<b>Origination Fee</b>	<b>A fee paid to either a broker or a lender for originating a loan. It may be the only compensation for their work in arranging and/or processing the loan or it may be only a</b>

	portion of the compensation. Not every loan has an origination fee.
<b>Origination Date</b>	Date of the mortgage note.
<b>Parties</b>	The names of the buyers (vendee) and sellers (vendor).
<b>P &amp; I</b>	Principal and Interest (payment).
<b>PITI</b>	Principal, interest, taxes and insurance. The components that commonly are included in a monthly mortgage payment.
<b>PMI</b>	Private Mortgage Insurance. Insurance written by a private company protecting the mortgage lender against financial loss occasioned by a borrower defaulting on the mortgage. PMI is usually required on transactions when the LTV exceeds 80%.
<b>Point(s)</b>	An amount equal to one percent of the principal amount of the loan.
<b>Prepayment Penalty</b>	A charge the mortgagor pays the mortgagee for the privilege to prepay the loan.
<b>Pre-qualification</b>	Evaluation of a potential borrower's financial status to determine the size and type of mortgage available.
<b>Promissory Note</b>	A written promise to pay a specific amount at a specific time.
<b>Property Description</b>	Provides an adequate description of the subject property and fixtures included.
<b>PUD</b>	Planned Unit Development. A comprehensive development plan for a large land area. A subdivision having lots or areas owned in common and reserved for the use of some or all of the owners of the separately owned lots.
<b>Quit Claim Deed</b>	A quitclaim conveys only the right, title, and interest that the grantor has in the property at the time the instrument is executed and delivered. It will not convey "after-acquired" title – that is, title acquired after the date of the execution and delivery of the quitclaim deed. A quitclaim gives notice to the grantee that title to the property may not be clear, so the grantee is not a bona fide purchaser for value. There is no recourse by the grantee or any subsequent owner of the property against the grantor. Thus, if the grantor has title to the property but will not warrant title, a deed without warranty is preferable to a quitclaim.
<b>Record</b>	The act or process of recording an instrument such as a deed or mortgage or release in a public registry (county

	clerk's office).
<b>Regulation Z</b>	<b>Truth-in-Lending Act. Federal legislation that requires lenders to provide full written disclosure of credit terms and conditions, the finance charge, the APR and other charges incurred in a loan contract.</b>
<b>Release</b>	<b>The relinquishment, concession, or giving up of a right, claim, or privilege, by the person in whom it exists or to whom it accrues, to the person against whom it might have been demanded or enforced.</b>
<b>RESPA</b>	<b>Real Estate Settlement Procedures Act. A federal statute and regulation promulgated by HUD governing real estate lending practices and disclosures.</b>
<b>R/W</b>	<b>Right of Way</b>
<b>Sales Price</b>	<b>The amount to be paid for the property.</b>
<b>Satisfaction</b>	<b>(1) The payment of a debt or fulfillment of an obligation. (2) An instrument executed by the holder of a lien, debt or obligation which acknowledges payment or fulfillment. For example, a satisfaction of a mortgage sometimes is referred to as a satisfaction piece.</b>
<b>Servicing</b>	<b>A mortgage banking department which performs various functions, which includes the receipt of payments, customer service, escrow administration, investor accounting, collections, payoff processing and foreclosures.</b>
<b>S &amp; L</b>	<b>Savings and Loan Association</b>
<b>Special Warranty Deed</b>	<b>By converting the general warranty to a special warranty, the grantor warrants to defend the title conveyed to the grantee only to the extent that claims are made by, through, or under the grantor. The special warranty covers only title defects caused by the grantor, not those caused by the grantor's predecessors in title. Special and limited warranty deeds afford greater protection to the grantee than a quitclaim deed but less protection than a full or general warranty deed. They are often given in connection with conveyances by trusts (including land trusts) and estates, land contract vendors, and financial institutions that have taken back property by foreclosure or deed in lieu of foreclosure in satisfaction of a defaulted mortgage loan. These types of grantors (as well as others who are able to negotiate delivery of a special or limited warranty deed in connection with a property sale) usually will argue that they have only limited, incomplete, or indirect</b>

	<p>knowledge of the status of title to the property and/or have not been in actual possession of the property, but that they are willing to give the grantee greater protection than would be available by delivery of a quitclaim deed.</p>
Subordination Agreement	<p>Subordination is a relegation to a lesser position, usually in respect to a right or security. A Subordination agreement usually permits subsequent mortgages on the same property to have higher claim than the current mortgage. A Subordination Agreement is an agreement to let an inferior lien (one filed later in time) take precedence (be considered as if it were in a superior position). It is not an uncommon for a lender considering a loan request for a large mortgage (particularly one that will refinance a first mortgage) to require that a second mortgage already in place remain, in effect, in second position through the use of a subordination agreement.</p>
Survey	<p>Plat or improvement map showing the legal boundaries of the property. The map must be based on an instrument survey made, dated and certified by a licensed civil engineer or registered surveyor.</p>
Survivorship Tenancy	<p>If two or more persons hold an interest in the title to real property as survivorship tenants, each survivorship tenant holds an equal share of the title during their joint lives unless otherwise provided in the instrument creating the survivorship tenancy. Upon the death of any of them, the title of the decedent vests proportionately in the surviving tenants as survivorship tenants. Unless otherwise provided in the instrument creating the survivorship tenancy, each of the survivorship tenants has an equal right to share in the use, occupancy, and profits, and each of the survivorship tenants is subject to a proportionate share of the costs related to the ownership and use of the real property subject to the survivorship tenancy. If any interest in real property is conveyed or devised to two or more persons for their joint lives and then to the survivor or survivors of them, those persons hold title as survivorship tenants, and the joint interest created is a survivorship tenancy.</p>
Tax Prorations	<p>The tax proration serves as a bookkeeping adjustment on the closing statement between the seller and the buyer relating to taxes.</p>
Tenants in Common	<p>Tenants in common is the holding of an estate in land by distinct possession under distinct title, but there must be</p>

	<p>unity of possession, and each must have right to occupy the whole in common with his cotenants. The owners of a Tenants in Common may hold undivided fractional interests in the property, that is, one may hold a 1/3rd interest while another a 1/4th interest, as long as the total of the undivided interests equals one. An interest of a Tenant in Common can be conveyed without the others' consent or may be devised by will.</p>
<p>Tenancy by the Entirety or Entireties</p>	<p>This is available only to husband and wife. A tenancy that is expressly created for a husband and wife where the property is maintained or intended for maintenance as a homestead by both husband and wife. The tenancy features the right of survivorship. Upon the death of either such tenant, the survivor shall retain the entire estate. A devise, conveyance, assignment, or other transfer to 2 grantees who are not in fact husband and wife that purports to create an estate by the entirety shall be construed as having created an estate in joint tenancy.</p>
<p>Term</p>	<p>Number of years over which the loan is scheduled to be repaid.</p>
<p>Testator</p>	<p>One who makes or has made a testament or will. One who dies leaving a will.</p>
<p>TIL</p>	<p>Truth-in-Lending Law.</p>
<p>Title</p>	<p>Written evidence of the right to or ownership in property.</p>
<p>Title Insurance</p>	<p>Insurance to protect the lender (Lender's Policy) and owner (Equity or Owner's Policy) against loss arising from disputes over ownership of the property.</p>
<p>Transfer Tax</p>	<p>Taxes on the conveyance of real estate imposed by state and local governments.</p>
<p>Trustee</p>	<p>A person holding property in trust. The person appointed, or required by law, to execute a trust; one in whom an estate, interest, or power is vested, under an express or implied agreement to administer or exercise it for the benefit or to the use of another. Basically, a trustee is one who holds the legal title to property for the benefit of another.</p>
<p>Underwriting</p>	<p>The process of evaluating a loan application to determine the risk involved for the lender. It involves an analysis of the borrower's ability and willingness to repay the debt and the value of the property. Underwriting involves the evaluation of the property</p>

	and the borrower's ability and willingness to repay the loan.
<b>VA</b>	<b>Veteran's Administration</b>
<b>VRM</b>	<b>Variable Rate Mortgage</b>
<b>Warranty Deed with Vendor's Lien</b>	<b>The warranty deed with vendor's lien is designed for use anytime a portion of the purchase price is financed. This usually occurs when the note is to be executed either in favor of the grantor or a third-party mortgagee financing the grantee's purchase of the property. Other circumstances in which use of a warranty deed with vendor's lien is appropriate include the assumption of an existing first-lien note together with execution of a new second-lien note to the grantor or a third party, or execution of new first and second lien notes.</b>
<b>YTM</b>	<b>Yield to Maturity</b>

**If you have any questions, please contact Patrick W. Walsh, P.C. at (630) 794-0300 or e-mail at [docs@walshdocs.com](mailto:docs@walshdocs.com). You may write to Patrick W. Walsh, P.C. at 625 Plainfield Road, Suite 330, Willowbrook, IL 60527.**

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