

# Glossary of Basic Real Estate Terms

## **ABSTRACT OF TITLE**

A summary of the history of the legal title to a piece of property; all changes in ownership, liens, mortgages or any other matter that might affect the title.

## **AGREEMENT OF SALE; OR PURCHASE AND SALE AGREEMENT**

A written agreement by which a buyer agrees to purchase and a seller agrees to sell according to terms set forth in that agreement.

## **AMORTIZATION**

The reduction of a loan or debt by periodic payments according to agreed upon terms.

## **APPRAISAL**

A procedure in which a qualified individual estimates the value of a piece of property.

## **ATTORNEY IN FACT**

One who holds a power of attorney from another, allowing him to execute legal documents on behalf of the grantor of power.

## **CLOSING**

The final meeting at which the transfer of title of property passes from the seller to the buyer.

## **CLOSING COSTS**

Includes all the charges attached to closing. These one-time fees include charges for title search and insurance, attorney's fee, survey, and points charged by lender of mortgage. These are also known as settlement costs.

## **DEED**

A legal document whereby title to real estate is transferred from one person to another.

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**EARNEST MONEY**

Advance payment of part of the purchase price to bind a contract for property.

**EQUITY**

The difference between the market value of a house and the balance owed on the mortgage, usually referring to the owner's interest or value on real estate.

**ESCROW**

A procedure where a third party handles legal documents and funds on behalf of a seller, buyer, and lender.

**LEASE**

A written document containing the conditions for the exclusive possession of real estate by the owner to another for a definite period of time.

**LIEN**

A claim or charge upon property for payment of a debt, obligation or duty.

**LIS PENDENS**

A notice recorded in the official county property records indicating the existence of a lawsuit affecting specific real property.

**MARKET VALUE**

The highest price that a buyer will pay and the lowest price a seller will accept for a property.

**MECHANIC'S LIENS**

A lien allowed by statute to contractors and laborers on structures where work has been performed or materials supplied.

**MORTGAGE**

An instrument used to encumber land as security for a debt.



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## **POINTS**

The one-time fee charged by a lending institution for making a loan expressed as a percentage of the final amount of the loan.

## **REFINANCE**

Process of paying off an existing loan with proceeds from another.

## **SECOND MORTGAGE**

Financing real estate with a loan or loans that are subordinate to the first mortgage. It usually calls for a higher interest rate and a shorter repayment period.

## **SURVEY**

An exact measurement of a parcel of land to ascertain boundaries, size, location, and improvements.

## **TITLE**

Evidence, usually in the form of a deed, that a person has the right to ownership of the property in question.

## **TITLE INSURANCE**

A policy that protects the buyer against any loss or damage resulting from a defective title.

## **TITLE SEARCH**

A detailed investigation of public records to ensure that any property is purchased from the legal owner and that there are no liens or special assessments against it.

## **ZONING**

Procedure that classifies real property for a number of different users: residential, commercial, industrial, etc., in accordance with a land-use plan. Ordinances are enforced by a governing body or locality.



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