

The ABCs of Real Estate

A | **Appraisal:** An estimation of a home's market value by a licensed appraiser based on comparable recent sales of nearby homes.

B | **Backup offer:** A secondary offer on a home that is under contract and becomes active if the primary contract falls through.

C | **Contingent offer:** An offer is accepted by the seller, but certain conditions must be met before the sale is final.

D | **Down payment:** The percentage of the home purchase price (usually between 5% and 20%) paid upfront in cash.

E | **Escrow:** A neutral third party that holds funds from the buyer and distributes them when all conditions have been met.

F | **Federal Housing Administration (FHA):** The government agency that insures loans designed for low- to moderate-income borrowers.

G | **Good Faith Estimate (GFE):** Provided by a lender to a borrower, GFE was an estimate of fees due at closing. New mortgage rules in 2015 replaced this form with one called a Loan Estimate.

H | **Homeowners Association:** A management organization within a community, subdivision or neighborhood that creates and enforces rules for properties within its jurisdiction.

I | **Inspection:** An examination of a property and its systems performed by a qualified professional, usually before the sale of a home.

J | **Jumbo mortgage:** A mortgage that exceeds the conforming-loan limit, commonly used for luxury home purchases.

K | **Key rate:** An interest rate set by the federal government that determines the cost to borrow money—in this case, a mortgage to buy a new home.



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- L** | **Loan-to-value (LTV):** The risk assessment ratio used by lenders; to calculate the LTV, divide the mortgage amount by the appraised value.
- M** | **Multiple Listing Service (MLS):** A database for real estate agents to list and market for-sale homes.
- N** | **Net proceeds:** The amount received by the seller at closing after all other costs have been deducted.
- O** | **Open house:** An event hosted by a listing agent to showcase a home to potential buyers.
- P** | **Pre-approval letter:** A letter indicating that a lender is willing to loan a specific amount of money for a home purchase; pre-approval does not guarantee a loan.
- Q** | **Quitclaim deed:** A deed that transfers property rights without any validation of ownership; typically used between spouses and family members.
- R** | **Real estate owned (REO) property:** A repossessed property owned by a lender after an unsuccessful sale at auction.
- S** | **Seller disclosure:** A document completed by the seller disclosing the property's history and defects.
- T** | **Title:** The right to ownership of real property recognized and protected by the law.
- U** | **Under contract:** A buyer has submitted an accepted offer, but the closing is not yet final.
- V** | **VA loan:** A mortgage loan for veterans and their spouses, made by private lenders and guaranteed by the U.S. government.
- W** | **Walkthrough:** The final inspection conducted before a home sale is final.
- X** | **X marks the spot:** Where you sign on the dotted line for your dream home!
- Y** | **Yield-spread premium (YSP):** The amount a lender pays a mortgage officer for selling a loan with a higher interest rate than the par rate.
- Z** | **Zero lot lines:** A residence built very close to—or directly on—the property line.