

Abandonment

The voluntary surrender or relinquishment of a right, claim or interest in a piece of real property without naming a successor as owner or trustee, such as when a person moves or abandons leased property before the lease term expires.

Abatement

Elimination or reduction of real estate taxes to attract new businesses to the area.

Abstract of Title

A certified copy of the history of a title to a particular property from the original grant and all subsequent transfers, encumbrances and releases.

Abstract of Title with attorneys opinion

An abstract of title that has been checked by an attorney and is certified in their opinion to be correct.

Abutting

Sharing a common boundary line.

Acceleration Clause

A provision in a mortgage or trust deed or note that gives the lender the right to demand payment of the entire principal balance and interest due if the mortgagor defaults on an installment payment or any other covenant.

Acceptance

An offeree's consent to enter into a contract and be bound by the terms of the offer. In Texas and in most other states the offer and acceptance must be in writing in order to be valid.

Accession

Acquiring title to real property as a result of annexation of improvements or additions or the accretion of alluvial deposits on the banks of bodies of water.

Accretion

The increase or addition of land as a result of deposits left by rivers, streams or lakes.

Accrued Depreciation

The amount of loss in value that has accumulated since original construction; the difference between current appraised value and the cost of replacement.

Accrued Items

A list of expenses on a closing statement that have incurred but are not yet paid, for example, interest on a mortgage loan or real estate taxes.

Acknowledgement

A formal declaration before a notary public or other authorized public official on a deed, contract or other document that the execution was a voluntary act and authenticated for the purpose of recording.

Acre

A measure of land equal to 43,560 square feet, 4,840 square yards, 4,047 square meters, 160 square rods.

Actual Eviction

The result of legal action brought by a landlord against a defaulted lessor or tenant, whereby the tenant is physically removed by court order or action.

Actual Notice

The actual knowledge that a person has a particular fact; direct knowledge.

Addendum

Any provision added to a contract, or an addition to a contract that expands, modifies or enhances the clarity of the agreement. To be part of the contract and legally enforceable, an addendum must be referenced within the contract.

Adjacent

Lying next to but not necessarily in contact with.

Adjoining

In actual contact with, contiguous or attached

Additional Principle Payment

A payment by a borrower of more than the scheduled principle amount due in order to reduce the remaining balance on the loan.

Adjustable Rate Mortgage (ARM)

A mortgage in which the lender changes the interest periodically, according to corresponding fluctuations in a specified index.

Adjusted Basis

The original cost of a property plus the value of any capital expenditures for improvements to the property minus any depreciation taken.

Adjustment Date

The date on which the interest rate changes for an adjustable-rate mortgage (ARM).

Adjusted Sales Price

For income tax purposes, the actual sales price reduced by allowable sales expenses.

Adjustment Period

The period that elapses between the adjustment dates for an adjustable-rate mortgage (ARM).

Administrator/Administratrix

A person appointed by a probate court to administer or settle the estate of a person who died intestate (without leaving a will).

Ad Valorem Tax

A tax levied according to the value of property; generally used in reference to real estate.

Adverse Possession

The actual, visible, hostile, notorious, exclusive, and continuous possession of another's land under a claim of title. Possession for a statutory period may be a means of acquiring title.

Affidavit

A written statement made under oath and signed before a licensed notary public or authorized public official.

Affordability Analysis

A detailed analysis of your ability to afford the purchase of a home. An affordability analysis takes into consideration your income, liabilities, and available funds, along with the type of mortgage you plan to use, the area where you want to purchase a home, and the closing costs that you might expect to pay.

Agency

The relationship between a principal and an agent wherein the agent is authorized to represent the principal in certain transactions.

Agency by Ratification

An agency relationship that has been established after the fact.

Agent

One who has been granted the authority to act on behalf of another. A fiduciary relationship is created under the law of agency when a property owner, as the principle, executes a listing agreement or management contract authorizing a licensed real estate broker to be his or her agent. The same can be said in a buyers contract.

Agreement of Sale

A written agreement between a seller and a purchaser whereby the purchaser agrees to buy a certain piece of property from the seller for a specified price.

Air Lot

A designated airspace over a piece of land. An air lot, like surface property may be transferred.

Air Rights

The right to use the open space above a property, generally allowing the surface to be used for another purpose.

Alienation

The transfer of ownership of a property to another, either voluntary or involuntary.

Alienation Clause

The clause in a mortgage or deed of trust that permits the lender to declare all unpaid principle and accrued interest due and payable if the borrower transfers title to the property.

Allodial System

A system of land ownership in which land is held free and clear of any rent or service due to the government; commonly contrasted with the feudal system, in which ownership is held by a monarch. In the United States, land is held under the allodial system.

Americans with Disabilities Act (ADA)

A federal law to eliminate discrimination against individuals with disabilities by mandating equal access to jobs, public accommodations, government services, public transportation and telecommunications.

Amenity

A feature of real property that enhances its attractiveness and increases the occupant's or user's satisfaction although the feature is not essential to the property's use. Natural amenities include a pleasant or desirable location near water, scenic views of the surrounding area, etc. Human-made amenities include swimming pools, tennis courts, community buildings, and other recreational facilities.

Amortization

The gradual repayment of a mortgage loan by installments.

Amortization Schedule

A timetable for payment of a mortgage loan. An amortization schedule shows the amount of each payment applied to interest and principal and shows the remaining balance after each payment is made.

Amortization Term

The amount of time required to amortize the mortgage loan. The amortization term is expressed as a number of months. For example, for a 30-year fixed-rate mortgage, the amortization term is 360 months.

Amortize

To repay a mortgage with regular payments that cover both principal and interest.

Amount Realized on Sale

The amount of gain or profit, subject to the income tax.

Annual Mortgagor Statement

A report sent to the mortgagor each year. The report shows how much was paid in taxes and interest during the year, as well as the remaining mortgage loan balance at the end of the year.

Annual Percentage Rate (APR)

The cost of a mortgage stated as a yearly rate; includes such items as interest, mortgage insurance, and loan origination fee (points).

Annuity

An amount paid yearly or at other regular intervals, often on a guaranteed dollar basis.

Anti-deficiency Law

Laws used in some states to limit the claim of a lender on default on payment of a purchase money mortgage on owner-occupied residential property to the value of the collateral.

Anti-trust Laws

Laws designated to protect free enterprise and the open marketplace by prohibiting certain business practices that restrict competition. Regarding real estate, these laws would prevent such practices as price fixing or agreements by brokers to limit their areas of trade.

Application

A form used to apply for a mortgage loan and to record pertinent information concerning a prospective mortgagor and the proposed security.

Appointed Licensee

A licensee associated and appointed by an intermediary broker to communicate with, carry out instructions of and provide opinions and advice to the parties to whom the licensee is appointed.

Apportionments

Adjustment of income, expenses, or carrying charges related to real estate, usually computed to the date of closing so that the seller parts all expenses to date, then the buyer parts all expenses beginning on the day after the closing date.

Appraisal

A written analysis of the estimated value of a property prepared by a qualified appraiser as of a specific date.

Appraisal Review Board

A group of people who hear appeals concerning assessed valuations for tax purposes and recommend or deny changes in values shown of record.

Appraised Value

An opinion of a property's fair market value, based on an appraiser's knowledge, experience, and analysis of the property.

Appraiser

A person qualified by education, training, and experience to estimate the value of real property and personal property.

Appreciation

An increase in the value of a property due to changes in market conditions or other causes. The opposite of depreciation.

Apprentice Inspector

A person who is in training under the direct supervision of a professional inspector or a real estate inspector to become qualified to perform real estate inspections.

Appurtenance

Something that transfers with the title to land even if not an actual part of the property such as an easement, right of way or water rights.

Area

The size in square units of a two dimensional figure such as a triangle or rectangle.

Arbitration

The process of settling a dispute in which the parties submit their differences to an impartial third party on whose decision on the matter is binding

ARELLO

The Association of Real Estate License Law Officials

Assemblage

The combining of two or more adjoining lots into one larger tract of land to increase their total value.

Assessed Value

The valuation placed on property by a public tax assessor for purposes of taxation.

Assessment

The process of placing a value on property for the strict purpose of taxation. May also refer to a levy against property for a special purpose, such as a sewer assessment.

Assessment Rolls

The public record of taxable property.

Assessor

A public official who establishes the value of a property for taxation purposes.

Asset

Anything of monetary value that is owned by a person. Assets include real property, personal property, and enforceable claims against others (including bank accounts, stocks, mutual funds, and so on).

Assignment

The transfer of a mortgage from one person to another.

Assumable Mortgage

A mortgage that can be taken over ("assumed") by the buyer when a home is sold.

Assumption

The transfer of the seller's existing mortgage to the buyer. See assumable mortgage.

Assumption Clause

A provision in an assumable mortgage that allows a buyer to assume responsibility for the mortgage from the seller. The loan does not need to be paid in full by the original borrower upon sale or transfer of the property.

Assumption Fee

The fee paid to a lender (usually by the purchaser of real property) resulting from the assumption of an existing mortgage.

Attachment

The process whereby a court takes custody of a debtor's property until the creditor's debt is satisfied.

Attest

To bear witness by providing a signature

Attorney

One who acts for or represents another. Must be licensed as such to give legal advice.

Attorney-in-Fact

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

Automated Underwriting

The process of electronically evaluating a loan application, assessing a borrower's ability to repay, and subsequently providing a recommendation for or against loan approval.

Automatic Extension

A clause in a listing agreement that states the agreement will continue automatically for a certain period of time after its expiration date. It is illegal in Texas.

Avulsion

The sudden tearing away of land, as by earthquake, flood, volcanic action or the sudden change in the course of a stream or body of water.

Balance Sheet

A financial statement that shows assets, liabilities, and net worth as of a specific date.

Balloon Mortgage

A mortgage that has level monthly payments that will amortize it over a stated term but that provides for a lump sum payment to be due at the end of an earlier specified term.

Balloon Payment

The final lump sum payment that is made at the maturity date of a balloon mortgage.

Bankrupt

A person, firm, or corporation that, through a court proceeding, is relieved from the payment of all debts after the surrender of all assets to a court-appointed trustee.

Bankruptcy

A proceeding in a federal court in which a debtor who owes more than his or her assets can relieve the debts by transferring his or her assets to a trustee.

Bargain and Sale Deed

A deed that conveys title but does not necessarily carry warranties against liens and encumbrances.

Base Line

One of the imaginary east-west lines used as a reference point when describing property with the rectangular or government survey method of property description.

Basis

The dollar amount associated with an asset to determine annual depreciation and gain or loss on the sale of the asset. The owner's basis is the cost of the property adding the value of any capital expenditures for improvements to the property and subtracting any depreciation allowable or actually taken results in the adjusted basis.

Before-tax Income

Income before taxes are deducted.

Bench Mark

A permanently marked point with a known elevation used as a reference for surveyors to measure elevations.

Beneficiary

The person designated to receive the income from a trust, estate, or a deed of trust.

Bequeath

To transfer personal property through a will.

Betterment

An improvement that increases property value as distinguished from repairs or replacements that simply maintain value.

Bilateral Contract

A contract in which each party promises to perform an act in exchange for the other party's promise to perform an act.

Bill of Sale

A written document that transfers title to personal property.

Binder

A preliminary agreement, secured by the payment of an earnest money deposit, under which a buyer offers to purchase real estate.

Biweekly Payment Mortgage

A mortgage that requires payments to reduce the debt every two weeks (instead of the standard monthly payment schedule). The 26 (or possibly 27) biweekly payments are each equal to one-half of the monthly payment that would be required if the loan were a standard 30-year fixed-rate mortgage, and they are usually drafted from the borrower's bank account. The result for the borrower is a substantial savings in interest.

Blanket Insurance Policy

A single policy that covers more than one piece of property (or more than one person).

Blanket Mortgage

The mortgage that is secured by a cooperative project, as opposed to the share loans on individual units within the project.

Blockbusting

The illegal and discriminatory practice of inducing homeowners to sell their properties by suggesting or implying the introduction of members of a protected class into the neighborhood.

Blue Sky Laws

The common name for state and federal laws that regulate the registration and sale of investment securities.

Bona Fide

In good faith, without fraud.

Bond

An interest-bearing certificate of debt with a maturity date. An obligation of a government or business corporation. A real estate bond is a written obligation usually secured by a mortgage or a deed of trust.

Boot

Money or property provided to make up a difference in value or equity between two properties in an exchange.

Breach

A violation of any legal obligation.

Bridge Loan

A form of second trust that is collateralized by the borrower's present home (which is usually for sale) in a manner

that allows the proceeds to be used for closing on a new house before the present home is sold. Also known as "swing loan."

Broker

A person who, for a commission or a fee, brings parties together and assists in negotiating contracts between them. See mortgage broker.

Brokers Price Opinion (BPO)

A broker's opinion of value based in a comparative market analysis verses an appraisers opinion of value.

Budget

A detailed plan of income and expenses expected over a certain period of time. A budget can provide guidelines for managing future investments and expenses.

Budget Category

A category of income or expense data that you can use in a budget. You can also define your own budget categories and add them to some or all of the budgets you create. "Rent" is an example of an expense category. "Salary" is a typical income category.

Buffer Zone

Zoning districts that gradually change from a higher intensity use to a lower intensity use.

Building code

Local regulations that control design, construction, and materials used in construction. Building codes are based on safety and health standards.

Building Line

The distance from the front, rear or sides of a building lot beyond which no structures may extend.

Building Permit

A permission issued by a city for the construction of a building to ensure compliance with building codes.

Building Restrictions

Limitations listed in zoning ordinances or deed restrictions on the size and type of improvements allowed on a property.

buydown account

An account in which funds are held so that they can be applied as part of the monthly mortgage payment as each payment comes due during the period that an interest rate buydown plan is in effect.

Buydown Mortgage

A temporary buydown is a mortgage on which an initial lump sum payment is made by any party to reduce a borrower's monthly payments during the first few years of a mortgage. A permanent buydown reduces the interest rate over the entire life of a mortgage.

Buyer Agency

An agency relationship between the broker and the buyer with fiduciary duties owed to the buyer.

Buyer Representation Agreement

A contract that establishes a broker-buyer agency relationship.

Buyers Broker

Real estate broker retained by a prospective buyer, this buyer becomes the brokers client to whom fiduciary duties are owed.

Bylaws

Rules and regulations adopted by an association.

Call Option

A provision in the mortgage that gives the mortgagee the right to call the mortgage due and payable at the end of a specified period for whatever reason.

Cancellation Clause

A provision in a lease that confers on one or all parties to the lease the right to terminate the parties obligations should the occurrence of the condition or contingency set forth in the clause happen.

Canvassing

The practice of searching for prospective clients by making unsolicited phone calls and or visiting homes door-to-door.

Cap

A provision of an adjustable-rate mortgage (ARM) that limits how much the interest rate or mortgage payments may increase or decrease. See lifetime payment cap, periodic payment cap, and periodic rate cap.

Capital

(1) Money used to create income, either as an investment in a business or an income property. (2) The money or property comprising the wealth owned or used by a person or business enterprise. (3) The accumulated wealth of a person or business. (4) The net worth of a business represented by the amount by which its assets exceed liabilities.

Capital Expenditure

The cost of an improvement made to extend the useful life of a property or to add to its value.

Capital Gains Tax

A tax charged on the profit gained from the sale of a capital asset.

Capital Improvement

Any structure or component erected as a permanent improvement to real property that adds to its value and useful life.

Capitalization

The process of estimating the present value of an income-producing piece of property by dividing anticipated future income by a capitalization rate.

Capitalization Rate

The rate of return a property will generate on an owners investment.

Cash Flow

The net income produced by an investment property, calculated by deducting operating and fixed expenses from gross income.

Cash-out Refinance

A refinance transaction in which the amount of money received from the new loan exceeds the total of the money needed to repay the existing first mortgage, closing costs, points, and the amount required to satisfy any outstanding subordinate mortgage liens. In other words, a refinance transaction in which the borrower receives additional cash that can be used for any purpose.

Casualty Insurance

A type of policy that protect a property owner or other person from loss or injury sustained as a result of theft, vandalism or similar occurrences.

Caveat Emptor

A phrase meaning "Let the Buyer Beware".

CC&R

Covenants, conditions and restrictions of a cooperative or condominium development.

Certificate of Discharge

A document used when the security instrument is a mortgage

Certificate of Deposit

A document written by a bank or other financial institution that is evidence of a deposit, with the issuer's promise to return the deposit plus earnings at a specified interest rate within a specified time period.

Certificate of Deposit Index

An index that is used to determine interest rate changes for certain ARM plans. It represents the weekly average of secondary market interest rates on six-month negotiable certificates of deposit. See adjustable-rate mortgage (ARM).

Certificate of Eligibility

A document issued by the federal government certifying a veteran's eligibility for a Department of Veterans Affairs (VA) mortgage.

Certificate of Reasonable Value (CRV)

A document issued by the Department of Veterans Affairs (VA) that establishes the maximum value and loan amount for a VA mortgage.

Certificate of Sale

The document given to a purchaser of real estate that is sold at a tax foreclosure sale.

Certificate of Title

A statement provided by an abstract company, title company, or attorney stating that the title to real estate is legally held by the current owner.

Chain of Title

The history of all of the documents that transfer title to a parcel of real property, starting with the earliest existing document and ending with the most recent.

Change Frequency

The frequency (in months) of payment and/or interest rate changes in an adjustable-rate mortgage (ARM).

Channeling

The illegal practice of directing people to or away from certain areas or neighborhoods because of minority status.

Chattel

Another name for personal property.

Chattel Mortgage

A loan in which personal property is pledged to secure a debt.

Civil Rights Act of 1866

The first and primary law guaranteeing equal rights to all U.S. citizens. It prohibits all discrimination based on race or color.

Clear Title

A title that is free of liens or legal questions as to ownership of the property.

Closing

The consummation of a real estate transaction when the seller delivers title to the buyer in exchange for the buyer paying the purchase price.

Closing Agent

The person responsible for conducting the settlement of a real estate transaction.

Closing Cost Item

A fee or amount that a home buyer must pay at closing for a single service, tax, or product. Closing costs are made up of individual closing cost items such as origination fees and attorney's fees. Many closing cost items are included as numbered items on the HUD-1 statement.

Closing Costs

Expenses (over and above the price of the property) incurred by buyers and sellers in transferring ownership of a property. Closing costs normally include an origination fee, an attorney's fee, taxes, an amount placed in escrow, and charges for obtaining title insurance and a survey. Closing costs percentage will vary according to the area of the country; lenders or realtors® often provide estimates of closing costs to prospective homebuyers.

Closing Statement

A written accounting of funds received and disbursed during a real estate transaction. The buyer and seller receive separate closing statements. Also known as a HUD-1 settlement statement.

Cloud on Title

Any conditions revealed by a title search that adversely affect the title to real estate. Usually clouds on title cannot be removed except by a quitclaim deed, release, or court action.

Clustering

The grouping of home sites within a subdivision on smaller lots than normal with the remaining land slated for use as common areas.

Code of Ethics

An agreement to which all Realtors® must subscribe and that holds the members to a higher standard of conduct.

Codicil

A supplement or addition to a will that modifies the original instrument.

Coinsurance

A sharing of insurance risk between the insurer and the insured. Coinsurance depends on the relationship between the amount of the policy and a specified percentage of the actual value of the property insured at the time of the loss.

Coinsurance Clause

A provision in a hazard insurance policy that states the amount of coverage that must be maintained -- as a percentage of the total value of the property -- for the insured to collect the full amount of a loss.

Collateral

An asset (such as a car or a home) that guarantees the repayment of a loan. The borrower risks losing the asset if the loan is not repaid according to the terms of the loan contract.

Collection

The efforts used to bring a delinquent mortgage current and to file the necessary notices to proceed with foreclosure when necessary.

Color of Title

An instrument that gives evidence of title but may not be legally adequate to actually convey title.

Co-maker

A person who signs a promissory note along with the borrower. A co-maker's signature guarantees that the loan will be repaid, because the borrower and the co-maker are equally responsible for the repayment. See endorser.

Commercial Property

Property used to produce income such as office buildings or shopping centers.

Commingling

The illegal act of an agent mixing a client's monies which should be held in a separate escrow account with the agent's personal monies.

Commission

The fee charged by a broker or agent for negotiating a real estate or loan transaction. A commission is generally a percentage of the price of the property or loan.

Commitment Letter

A formal offer by a lender stating the terms under which it agrees to lend money to a home buyer. Also known as a "loan commitment."

Common Area Assessments

Levies against individual unit owners in a condominium or planned unit development (PUD) project for additional capital to defray homeowners' association costs and expenses and to repair, replace, maintain, improve, or operate the common areas of the project.

Common Areas

Those portions of a building, land, and amenities owned (or managed) by a planned unit development (PUD) or condominium project's homeowners' association (or a cooperative project's cooperative corporation) that are used by all of the unit owners, who share in the common expenses of their operation and maintenance. Common areas include swimming pools, tennis courts, and other recreational facilities, as well as common corridors of buildings, parking areas, means of ingress and egress, etc.

Common Law

An unwritten body of law based on general custom in England and used to an extent in the United States.

Community Home Improvement Mortgage Loan®

An alternative financing option that allows low- and moderate-income home buyers to obtain 95 percent financing for the purchase and improvement of a home in need of modest repairs. The repair work can account for as much as 30 percent of the appraised value.

Community Land Trust Mortgage Loan

An alternative financing option that enables low- and moderate-income home buyers to purchase housing that has been improved by a nonprofit Community Land Trust and to lease the land on which the property stands.

Community Property

In some western and southwestern states, a form of ownership under which property acquired during a marriage is presumed to be owned jointly unless acquired as separate property of either spouse.

Community Property Right of Survivorship

A declaration made by a husband and wife that community property will go to the survivor upon the death of one party. This eliminates probate.

Community Reinvestment Act

The federal law that requires that federally regulated lenders describe the geographic market area that they serve. Deposits from that area are to be reinvested in that area whenever practical.

Community Seconds®

An alternative financing option for low- and moderate-income households under which an investor purchases a first mortgage that has a subsidized second mortgage behind it. The second mortgage may be issued by a state, county, or local housing agency, foundation, or nonprofit organization. Payment on the second mortgage is often deferred and carries a very low interest rate (or no interest rate at all). Part of the debt may be forgiven incrementally for each year the buyer remains in the home.

Comparables

An abbreviation for "comparable properties"; used for comparative purposes in the appraisal process. Comparables

are properties like the property under consideration; they have reasonably the same size, location, and amenities and have recently been sold. Comparables help the appraiser determine the approximate fair market value of the subject property.

Comparative Market Analysis (CMA)

An analysis intended to assist a seller or buyer in determining a properties range of value.

Competent Parties

People who are legally qualified to enter a contract usually meaning that they are of legal age, of sound mind and not under the influence of drugs or alcohol.

Compound Interest

Interest paid on the original principal balance and on the accrued and unpaid interest.

Comprehensive Plan

A master plan to guide the long term development of a government subdivision, such as a city or county, to ensure that social and economic needs are balanced against environmental and aesthetic concerns.

Computerized Loan Origination (CLO)

A computer network tied into a major lender that allows agents across the country to initiate mortgage loan applications in their own offices.

Condemnation

The determination that a building is not fit for use or is dangerous and must be destroyed; the taking of private property for a public purpose through an exercise of the right of eminent domain.

Condition

A contingency, qualification or occurrence on which an estate or property right is gained or lost.

Conditional Use Permit

A grant approved by a planning and zoning commission allowing with conditions a special use property that is in the public interest.

Condominium

A real estate project in which each unit owner has title to a unit in a building, an undivided interest in the common areas of the project, and sometimes the exclusive use of certain limited common areas.

Condominium Conversion

Changing the ownership of an existing building (usually a rental project) to the condominium form of ownership.

Condominium Hotel

A condominium project that has rental or registration desks, short-term occupancy, food and telephone services, and daily cleaning services and that is operated as a commercial hotel even though the units are individually owned.

Conformity

An appraisal principle that asserts that property achieves its maximum value when a neighborhood is homogeneous in its use of land. The basis for zoning ordinances.

Consideration

Something of value that induces parties to enter into a contract such as money or services.

Construction Loan

A short-term, interim loan for financing the cost of construction. The lender makes payments to the builder at periodic intervals as the work progresses.

Constructive Eviction

Action or inaction by a landlord that renders a property uninhabitable forcing a tenant to move out with no further liability for rent.

Constructive Notice

Notice of a fact given by making the fact part of the public record. All persons are responsible for knowing the information whether or not they have actually seen the record.

Consumer Reporting Agency (or bureau)

An organization that prepares reports that are used by lenders to determine a potential borrower's credit history. The agency obtains data for these reports from a credit repository as well as from other sources.

Contingency

A condition that must be met before a contract is legally binding. For example, home purchasers often include a contingency that specifies that the contract is not binding until the purchaser obtains a satisfactory home inspection report from a qualified home inspector.

Contract

An oral or written agreement to do or not to do a certain thing.

Contract for Deed

A contract for the sale of a parcel of real estate in which the buyer makes periodic payments to the seller and receives title to the property only after all or a substantial part of the purchase price has been paid or regular payments have been made for one year or longer.

Conventional Mortgage

A mortgage that is not insured or guaranteed by the federal government. Contrast with government mortgage.

Conversion Option

An option in an adjustable rate mortgage to convert it to a fixed rate mortgage.

Convertibility Clause

A provision in some adjustable-rate mortgages (ARMs) that allows the borrower to change the ARM to a fixed-rate mortgage at specified timeframes after loan origination.

Convertible ARM

An adjustable-rate mortgage (ARM) that can be converted to a fixed-rate mortgage under specified conditions.

Conveyance

The transfer of title from grantor to grantee.

Cooperative (co-op)

A type of multiple ownership in which the residents of a multiunit housing complex own shares in the cooperative corporation that owns the property, giving each resident the right to occupy a specific apartment or unit.

Cooperative Corporation

A business trust entity that holds title to a cooperative project and grants occupancy rights to particular apartments or units to shareholders through proprietary leases or similar arrangements.

Cooperative Mortgages

Mortgages related to a cooperative project. This usually refers to the multifamily mortgage covering the entire project but occasionally describes the share loans on the individual units.

Cooperative Project

A residential or mixed-use building wherein a corporation or trust holds title to the property and sells shares of stock representing the value of a single apartment unit to individuals who, in turn, receive a proprietary lease as evidence of title.

Corporate Relocation

Arrangements under which an employer moves an employee to another area as part of the employer's normal course of business or under which it transfers a substantial part or all of its operations and employees to another area because it is relocating its headquarters or expanding its office capacity.

Corporeal Right

A tangible interest in real estate.

Corpus

The principle or capital as distinguished from the interest or income of a fund or estate.

Cost Approach

An appraisal method whereby the value of a property is calculated by estimating the cost of constructing a comparable building less depreciation plus the value of land.

Cost Of Funds Index (COFI)

An index that is used to determine interest rate changes for certain adjustable-rate mortgage (ARM) plans. It represents the weighted-average cost of savings, borrowings, and advances of the 11th District members of the Federal Home Loan Bank of San Francisco. See adjustable-rate mortgage (ARM).

Cost Recovery

An Internal Revenue Service term for depreciation.

Counteroffer

An offer submitted in response to an offer. It has the effect of overriding the original offer.

Covenant

A clause in a mortgage that obligates or restricts the borrower and that, if violated, can result in foreclosure.

Credit

An agreement in which a borrower receives something of value in exchange for a promise to repay the lender at a later date.

Credit History

A record of an individual's open and fully repaid debts. A credit history helps a lender to determine whether a potential borrower has a history of repaying debts in a timely manner.

Credit Life Insurance

A type of insurance often bought by mortgagors because it will pay off the mortgage debt if the mortgagor dies while the policy is in force.

Creditor

A person to whom money is owed.

Credit Report

A report of an individual's credit history prepared by a credit bureau and used by a lender in determining a loan applicant's creditworthiness. See merged credit report.

Credit Repository

An organization that gathers, records, updates, and stores financial and public records information about the payment records of individuals who are being considered for credit.

Cul-de-sac

A dead-end street that widens at the end creating a circular turnaround area.

Curtilage

Area of land occupied by a building, its outbuildings and yard either actually enclosed or considered enclosed.

Datum

A specific point used in surveying.

Debt

An amount owed to another. See installment loan and revolving liability.

Decedent

A person who dies.

Deceptive Trade Practices Act (DTPA)

Part of the federal Consumer Protection Act originally passed in 1973 and made specifically applicable to real estate in 1975 prohibiting a number of false, misleading or deceptive acts or practices.

Dedication

The donation of private property by its owner to a governmental body for public use.

Deductable Clause

A clause in an insurance policy that limits the exposure to loss for an insured homeowner.

Deed

The legal document conveying title to a property.

Deed in Lieu of Foreclosure

A deed given by a mortgagor to the mortgagee to satisfy a debt and avoid foreclosure. Also called a "voluntary conveyance."

Deed in Trust

A form of deed in which real estate is conveyed to a trustee.

Deed of Reconveyance

The instrument used to reconvey title to a trustee under a trust deed after the debt has been paid.

Deed of Trust

An instrument used to create a mortgage lien by which the mortgagor (borrower) conveys his or her title to a trustee, who holds it as security for the benefit of the lender (beneficiary). Also known as a trust deed.

Deed Restrictions

An imposed restriction for the purpose of limiting the use of land, such as the size or type of improvements to be allowed. Also known as a restrictive covenant.

Deed Without Warranty.

A deed that carries with it no warranties against liens or other encumbrances but that does imply that the grantor has the right to convey title. Also known as a bargain and sale deed.

Default

Failure to make mortgage payments on a timely basis or to comply with other requirements of a mortgage.

Defeasance Clause

A clause in a mortgage that renders it void where all obligations have been fulfilled.

Defeasible Fee Estate

An estate in which the lender has a fee simple title that may be divested on the occurrence or nonoccurrence of a specified event. The two categories of defeasible fee estates are fee simple determinable and fee simple subject to a condition subsequent.

Deficiency Judgment

A personal claim against a borrower when mortgaged property is foreclosed and sale of the property does not produce sufficient funds to pay off the mortgage. Deficiency judgments may be prohibited in some circumstances by anti-deficiency protection.

Delinquency

Failure to make mortgage payments when mortgage payments are due.

Delinquent Taxes

Unpaid taxes that are past due.

Delivery and Acceptance

Title passes when the grantor delivers the deed and the grantee accepts it. The deed may be delivered personally or through a third party escrow agent. Recordation by the county clerk creates an assumption of delivery and acceptance.

Department of Housing and Urban Development (HUD)

Federal agency that administers the Fair Housing Act of 1968

Deposit

A sum of money given to bind the sale of real estate, or a sum of money given to ensure payment or an advance of funds in the processing of a loan. See earnest money deposit.

Depreciated Cost

The value of a property after deducting an allowance for depreciation.

Depreciation

A decline in the value of property; the opposite of appreciation.

Density zoning

A zoning ordinance that restricts the number of houses or dwelling units that can be built per acre in a particular area, such as a subdivision.

Descent

The transfer of property to an owner's heirs when the owner dies intestate.

Determinable Fee Estate

A fee simple estate in which the property automatically reverts to the grantor upon the occurrence of a specified event or occurrence.

Devise

The transfer of title to real estate by will.

Devisee

One who receives a bequest of real estate by will.

Devisor

One who grants real estate by will.

Directional Growth

The direction toward which certain residential sections of a city are expected to grow.

Discount Points

1% of the loan amount that is charged by a lender at closing to increase a loan's effective yield and lower the interest rate to the borrower.

Discount Rate

The rate that lenders pay for mortgage funds, a higher rate is passed onto the borrower.

Dispossess

To remove a tenant from property by legal process.

Doctrine of Relation Back

Irrevocable deposit of the executed deed, purchase money and instructions into escrow pending performance of escrow conditions.

Dominant Estate (Tenement)

Property that includes the right to use an easement on adjoining property.

Dower

The rights of a widow in the property of her husband at his death.

Down Payment

The part of the purchase price of a property that the buyer pays in cash and does not finance with a mortgage.

Due-on-sale Provision

A provision in a mortgage that allows the lender to demand repayment in full if the borrower sells the property that serves as security for the mortgage.

Due-on-transfer Provision

This terminology is usually used for second mortgages. See due-on-sale provision.

Earnest Money Deposit

A deposit made by the potential home buyer to show that he or she is serious about buying the house.

Easement

A right of way giving persons other than the owner access to or over a property.

Easement Appurtenant

An easement that passes with the land on conveyance.

Easement By Implication

An easement that arises when the parties' actions imply that they intend to create an easement.

Easement By Necessity

An easement allowed by law as necessary for the full enjoyment of a parcel of real estate; for example, a right of ingress and egress over a grantor's land.

Easement By Prescription

An easement acquired by continuous, open, uninterrupted, exclusive, and adverse use of the property for tens years.

Easement In Gross

An easement that is not created for the benefit of any land owned by the owner of the easement but that attaches *personally to the easement owner*; for example, a utility easement.

Economic Life

The period of time during which a structure may reasonably be expected to perform the functions for which it was designed or intended.

Economic Obsolescence

See external obsolescence.

Effective Age

An appraiser's estimate of the physical condition of a building. The actual age of a building may be shorter or longer than its effective age.

Effective Gross Income

Normal annual income including overtime that is regular or guaranteed. The income may be from more than one source. Salary is generally the principal source, but other income may qualify if it is significant and stable.

Emblements

Growing crops, such as grapes and corn, that are produced annually through labor and industry; deemed to be personal property.

Employee

One who works under the supervision and control of another. The employer is obligated to withhold income taxes and Social Security taxes from the compensation of an employee. See also independent contractor.

Employment Contract

A document evidencing formal employment between employer and employee or between principal and agents. In the real estate business, this generally takes the form of a listing agreement or management agreement.

Enabling Acts

State legislation that confers certain powers, such as zoning, to governmental entities.

Endorsement

1. An additional document document attach to an original insurance policy that amends the original; a rider.
2. Writing one's name, with or without additional words, on a negotiable instrument.

Eminent Domain

The right of a government to take private property for public use upon payment of its fair market value. Eminent domain is the basis for condemnation proceedings.

Employer-assisted housing

A special Fannie Mae housing initiative that offers several different ways for employers to work with local lenders to develop plans to assist their employees in purchasing homes.

Encroachment

An improvement that intrudes illegally on another's property.

Encumbrance

Anything that affects or limits the fee simple title to a property, such as mortgages, leases, easements, or restrictions.

Endorser

A person who signs ownership interest over to another party. Contrast with co-maker.

Equal Credit Opportunity Act (ECOA)

A federal law that requires lenders and other creditors to make credit equally available without discrimination based on race, color, religion, national origin, age, sex, marital status, or receipt of income from public assistance programs.

Equal Opportunity In Housing

A federal code that ensures that all U.S. citizens have access to housing without discrimination.

Equitable Right Of Redemption

The right to redeem a property before a foreclosure sale by paying the full debt plus interest and accrued charges.

Equitable Title

The interest held by a vendee under a contract for deed or an installment contract; the equitable right to obtain absolute ownership to property when legal title is held in another's name.

Equity

A homeowner's financial interest in a property. Equity is the difference between the fair market value of the property and the amount still owed on its mortgage.

Equity Loan

A line of credit made against the equity in the borrower's home.

Equitable Lien

A lien arising out of common law. See statutory lien.

Erosion

The gradual wearing away of land by water, wind, and general weather conditions; the diminishing of property caused by the elements.

Escheat

The reversion of property to the state in the event the property is abandoned or the owner dies without leaving a will and has no heirs to whom the property may pass.

Escrow

An item of value, money, or documents deposited with a third party to be delivered upon the fulfillment of a condition. For example, the deposit by a borrower with the lender of funds to pay taxes and insurance premiums when they become due, or the deposit of funds or documents with an attorney or escrow agent to be disbursed upon the closing of a sale of real estate.

Escrow account

The account in which a mortgage servicer holds the borrower's escrow payments prior to paying property expenses.

Escrow Agreement

A contract, used when a transaction is closed through an escrow, that sets forth the duties of the escrow agents as well as the requirements and obligations of the parties to the transaction.

Escrow Analysis

The periodic examination of escrow accounts to determine if current monthly deposits will provide sufficient funds to pay taxes, insurance, and other bills when due.

Escrow Collections

Funds collected by the servicer and set aside in an escrow account to pay the borrower's property taxes, mortgage insurance, and hazard insurance.

Escrow Disbursements

The use of escrow funds to pay real estate taxes, hazard insurance, mortgage insurance, and other property expenses as they become due.

Escrow Payment

The portion of a mortgagor's monthly payment that is held by the servicer to pay for taxes, hazard insurance, mortgage insurance, lease payments, and other items as they become due. Known as "impounds" or "reserves" in some states.

Estate

The ownership interest of an individual in real property. The sum total of all the real property and personal property owned by an individual at time of death.

Estate For Years

A leased interest in property for a certain, exact period of time and for a specified consideration.

Estate From Period to Period

See *periodic estate*.

Estate in Land

The degree, quantity, nature, and extent of interest that a person has in real property.

Estate Taxes

Federal taxes on a decedent's real personal property.

Estimate of Value

An appraisal; the appraised value.

Estoppel Certificate

A document in which a borrower certifies the amount he or she owes on a mortgage loan and the rate of interest.

Eviction

The lawful expulsion of an occupant from real property.

Evidence of Title

Proof of ownership of property, commonly a title insurance policy or an abstract of title with an attorney's opinion of title.

Examination of Title

The report on the title of a property from the public records or an abstract of the title.

Exception

A used in the conveyance of the real estate, the exclusion of some part of the transfer of the property conveyed, such as a mineral interest held by a previous owner; a deficiency in the grantor's title; *contrast* with reservation.

Exchange

A transition in which all or part of the consideration is the transfer of like-kind property (such as investment real estate for investment real estate).

Exclusive Agency

A listing contract under which an owner appoints a real estate broker as his or her exclusive agent for a designated period of time to sell a property, give agents for a designated period of time to sell a property, on the owner's stated terms, for a commission. The owner reserves the right to sell without paying anyone a commission if he or she sells to a prospect who has not been introduced by the broker.

Exclusive Listing

A written contract that gives a licensed real estate agent the exclusive right to sell a property for a specified time, but reserving the owner's right to sell the property alone without the payment of a commission.

Exclusive Right to Sell

A listing contract under which an owner appoints a real estate broker as his or her exclusive agent for a designated period of time to sell a property on the owner's stated terms and agrees to pay the broker a commission when the property is sold, whether by the broker, the owner, or another broker.

Executed Contract

A contract in which all parties have fulfilled their promises; a contract is executed upon closing and funding.

Execution

The signing and delivery of an instrument. Also, a legal order directing an official to enforce judgment against the property of a debtor.

Executor

A person named in a will to administer an estate. The court will appoint an administrator if no executor is named. "Executrix" is the feminine form.

Executory Contract

A contract under which something has to be done by one or more of the parties.

Express Agency

An agency created by specific agreement, whether written or oral, of principal and agent.

Express Contract

An oral or written contract in which the parties state the contract's terms and express their intentions in words.

External Obsolescence

Reduction in property's value caused by factors outside the subject property, such as social or environmental forces; also called economic or locational or obsolescence.

Extraterritorial Jurisdiction

A half-mile to five-mile area surrounding an incorporated area over which the municipality has the right of subdivision approval and the potential for annexation.

Fair Credit Reporting Act

A consumer protection law that regulates the disclosure of consumer credit reports by consumer/credit reporting agencies and establishes procedures for correcting mistakes on one's credit record.

Fair Housing Act of 1968

The federal law prevents discrimination in housing based on race, color, religion, or national origin; amended in 1974 to include sex and include handicap and familial status in the protected categories.

Fair Market Value

The highest price that a buyer, willing but not compelled to buy, would pay, and the lowest a seller, willing but not compelled to sell, would accept.

Fannie Mae

Fannie Mae is a New York Stock Exchange company and the largest non-bank financial services company in the world. It operates pursuant to a federal charter and is the nation's largest source of financing for home mortgages. Over the past 30 years, Fannie Mae has provided nearly \$2.5 trillion of mortgage financing for over 30 million families.

Fannie Mae's Community Home Buyer's ProgramSM

An income-based community lending model, under which mortgage insurers and Fannie Mae offer flexible underwriting guidelines to increase a low- or moderate-income family's buying power and to decrease the total amount of cash needed to purchase a home. Borrowers who participate in this model are required to attend pre-purchase home-buyer education sessions.

Fannie 97[®]

A financing option for a fixed-rate mortgage that offers home buyers a 3 percent down payment loan with either a 25- or 30-year term. The mortgage features a loan-to-value (LTV) percentage of 97 percent, and is designed to expand homeownership opportunities for people with modest incomes. Borrowers must take a pre-purchase home-buyer education session to qualify for a Fannie 97 mortgage.

Farm Service Agency (FSA)

An agency of the U.S. Department of Agriculture that makes and guarantees loans and provides credit counseling and supervision to farmers and ranchers who are temporarily unable to obtain private, commercial credit.

Farmer Mac

A secondary market for farm real estate loans; the Federal Agriculture Mortgage Corporation.

Federal Agriculture Mortgage Corporation

See Farmer Mac.

Federal Emergency Management Agency (FEMA)

A government agency that sets programs standards for flood insurance,

Federal Home Loan Mortgage Corporation (FHLMC)

See Freddie Mac.

Federal Housing Administration (FHA)

An agency of the U.S. Department of Housing and Urban Development (HUD). Its main activity is the insuring of residential mortgage loans made by private lenders. The FHA sets standards for construction and underwriting but does not lend money or plan or construct housing.

Federal Judgment Lien

Lien obtained by the United States or an agency department, commission, board, or other U.S. entity that affects all real and personal property of the judgment debtor.

Federal National Mortgage Association (FNMA)

See Fannie Mae.

Federal Reserve System

A central banking system designed to manage the nation's economy; "the Fed".

Fee simple

The greatest possible interest a person can have in real estate.

Fee Simple Estate

An unconditional, unlimited estate of inheritance that represents the greatest estate and most extensive interest in land that can be enjoyed. It is of perpetual duration. When the real estate is in a condominium project, the unit owner is the exclusive owner only of the air space within his or her portion of the building (the unit) and is an owner in common with respect to the land and other common portions of the property.

Fee Simple Subject to a Condition Subsequent

An estate conveyed "provides that" or "if" it is used for a specific purpose. If it is no longer used for that purpose, it reverts to the original grantor or his heirs by their exercise of the right of reentry.

Fuedal System

A system of ownership usually associates with precolonial Eglan in which the king or other sovereign was the source of all rights. The right to possess real property was granted by the sovereign to an individual as a life estate only. On the death of the individual, titled passed back to the sovereign, not to the decendent's heirs.

FHA Coinsured Mortgage

A mortgage (under FHA Section 244) for which the Federal Housing Administration (FHA) and the originating lender share the risk of loss in the event of the mortgagor's default.

FHA Loans

A loan insured by the Federal Housing Administration and made by an approved lender in accordance with FHA regulations.

FHA Mortgage

A mortgage that is insured by the Federal Housing Administration (FHA). Also known as a government mortgage.

Fiduciary Relationship

A relationship of trust and confidence, as between trustee and beneficiary, attorney and client, or principle and agent.

Financing Statement

See Uniform Commercial Code.

Finder's Fee

A fee or commission paid to a mortgage broker for finding a mortgage loan for a prospective borrower.

Fire and Extended Coverage Insurance

A type of policy to protect against fire, hail, windstorm, and other damage.

Firm Commitment

A lender's agreement to make a loan to a specific borrower on a specific property.

First Mortgage

A mortgage that is the primary lien against a property.

Fiscal Policy

The government's policy in regard to taxation and spending programs. The balance between these two areas determines the amount of money the government will withdraw from or feed into the economy, which can counter economic peaks and slumps.

Fixed Installment

The monthly payment due on a mortgage loan. The fixed installment includes payment of both principal and interest.

Fixed-Rate Mortgage (FRM)

A mortgage in which the interest rate does not change during the entire term of the loan.

Fixture

Personal property that becomes real property when attached in a permanent manner to real estate.

Flexible Payment Loan

A payment plan in which a mortgagor makes lower monthly payments for the first few years of a loan and larger payments for the remainder of the term.

Flood Insurance

Insurance that compensates for physical property damage resulting from flooding. It is required for properties located in federally designated flood areas.

Forcible Detainer

A court suit initiated by a landlord to evict a tenant from leased premises after the tenant has breached one of the terms of the lease or has held possession of the property after the lease's expiration.

Foreclosure

The legal process by which a borrower in default under a mortgage is deprived of his or her interest in the mortgaged property. This usually involves a forced sale of the property at public auction with the proceeds of the sale being applied to the mortgage debt.

Forfeiture

The loss of money, property, rights, or privileges due to a breach of legal obligation.

Formal Will

A written instrument disposing of property on the death of the maker. The testator must be of legal age and sound mind, and not subject to undue influence. The document must be signed and witnessed; also known as a witnessed will.

Fraud

A misstatement of a material fact made with intent to deceive or made with reckless disregard of the truth, and that actually does deceive.

Freddie Mac

A corporation established to purchase primarily conventional mortgage loans in the secondary mortgage market. Chartered as the Federal Home Loan Mortgage Corporations (FHLMC).

Freehold Estate

An estate in land in which ownership is for an indeterminate length of time, in contrast to a leasehold estate.

401(k)/403(b)

An employer-sponsored investment plan that allows individuals to set aside tax-deferred income for retirement or emergency purposes. 401(k) plans are provided by employers that are private corporations. 403(b) plans are provided by employers that are not for profit organizations.

401(k)/403(b) Loan

Some administrators of 401(k)/403(b) plans allow for loans against the monies you have accumulated in these plans -- monies must be repaid to avoid serious penalty charges.

Fully Amortized ARM

An adjustable-rate mortgage (ARM) with a monthly payment that is sufficient to amortize the remaining balance, at the interest accrual rate, over the amortization term.

Functional Obsolescence

A loss of value to improved real property due to inadequate, outmoded, or inappropriate improvements.

Future Interest

A person's present right to an interest in real property that will not result in possession or enjoyment until some time in the future, such as a reservation or right of reentry.

Gap

A defect in the chain of title of a particular parcel of real estate, a missing document or conveyance that raises doubt as to the present ownership of the land.

General Agent

One authorized by his or her principal to represent the principal in a broad range of matters, for example, a property manager.

General Contractor

A construction specialist who enters into a formal construction contract with a landowner to construct a real estate building or project. The general contractor often contracts with several subcontractors specializing in various aspects of the building process to perform individual jobs.

General Lien

The right of a creditor to have all of a debtors property, both real and personal, sold to satisfy a debt.

General Partnership

See Partnership

General Warranty Deed

A deed in which the grantor fully warrants good clear title to the premises. Used in most real estate deed transfers, a warranty deed offers the greatest protection of any deed.

Ginnie Mae

A corporation within HUD that participates in the secondary market. It sells mortgage backed securities that are backed by pools of FHA and VA loans. Chartered as the Government National Mortgage Association (GNMA).

Good and Indefeasible Title

Title that cannot be defeated by a superior claim, set aside, or made void.

Good Faith Estimate (GFE)

A preliminary accounting of expected closing costs given to a buyer from a lender within three business days of loan application; required by RESPA (the Real Estate Settlement Procedures Act)

Government Mortgage

A mortgage that is insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA) or the Rural Housing Service (RHS). Contrast with conventional mortgage.

Government National Mortgage Association

A government-owned corporation within the U.S. Department of Housing and Urban Development (HUD). Created by Congress on September 1, 1968, GNMA assumed responsibility for the special assistance loan program formerly administered by Fannie Mae. Popularly known as Ginnie Mae.

Government Survey System

See Rectangular Survey System

Graduated Payment Mortgage

A loan in which a mortgagor makes lower monthly payments for the first few years of the loan; usually based on an artificially low payment schedule, resulting in negative amortization or deferred interest.

Grantee

The person to whom an interest in real property is conveyed.

Granting Clause

Words in a deed of conveyance that state the grantor's intention to convey the property at the present time. This clause generally is worded as "convey and warrant", "grant", "grant, bargain and sell", or "remise, release and quitclaim".

Grantor

The person conveying an interest in real property.

Grantor/Grantee Indexes

Public record books that are maintained in the county clerk's office that list all recorded instruments and reference the volume and page where the exact documents can be found.

Gross Income Multiplier

The ration used to convert annual income into market value in appraising industrial and commercial properties.

Gross Lease

A lease of property under which a landlord pays all property charges regularly incurred through ownership, such as repairs, taxes, insurance and operating expenses. Most residential leases are gross leases.

Gross Rent Multiplier

A figure used as a multiplier of the gross monthly rental income of a property to produce and estimate of the property's value.

Ground Lease

A lease of land only, on which the tenant usually owns a building or is required to build his or her own building as specified in the lease. Such leases are usually long term net leases.

Ground Rent

The amount of money that is paid for the use of land when title to a property is held as a leasehold estate rather than as a fee simple estate.

Ground Water Rights

Water under the earth's surface below the saturation point and used by a property owner through the rule of capture.

Group Home

A single-family residential structure designed or adapted for occupancy by unrelated developmentally disabled persons. The structure provides long-term housing and support services that are residential in nature.

Growing-Equity Mortgage (GEM)

A fixed-rate mortgage that provides scheduled payment increases over an established period of time, with the increased amount of the monthly payment applied directly toward reducing the remaining balance of the mortgage.

Guarantee Mortgage

A mortgage that is guaranteed by a third party.

Guaranteed Loan

Also known as a government mortgage.

Habendum Clause

That part of a deed beginning with the words "to have and to hold" following the granting clause and defining the extent of ownership the grantor is conveying.

Habitability Statute

A law that imposes a duty on the landlord to make the leased premises habitable and ready for occupancy and to maintain them in a state of repair throughout the term of the lease.

Hazard Insurance

Insurance coverage that compensates for physical damage to a property from fire, wind, vandalism, or other hazards.

Heir

One who might inherit or succeed to an interest in land under the state law of descent when the owner dies without leaving a valid will.

Heterogeneity

See nonhomogeneity

Highest and Best Use

That possible use of land that would produce the greatest return and thereby develop the highest land value. The optimum use of a site, as used in appraisal.

Holdover Tenancy

A tenancy whereby a lessee retains possession of leased property after his or her lease has expired and the landlord by continuing to accept rent agrees to the tenant's continued occupancy.

Holographic Will

A will that is written, dated and signed in the testator's handwriting but is not witnessed.

Home Equity Conversion Mortgage (HECM)

A special type of mortgage that enables older home owners to convert the equity they have in their homes into cash,

using a variety of payment options to address their specific financial needs. Unlike traditional home equity loans, a borrower does not qualify on the basis of income but on the value of his or her home. In addition, the loan does not have to be repaid until the borrower no longer occupies the property. Sometimes called a reverse mortgage.

Home Equity Line of Credit

A mortgage loan, which is usually in a subordinate position, that allows the borrower to obtain multiple advances of the loan proceeds at his or her own discretion, up to an amount that represents a specified percentage of the borrower's equity in a property.

Home Inspection

A thorough inspection that evaluates the structural and mechanical condition of a property. A satisfactory home inspection is often included as a contingency by the purchaser. Contrast with appraisal.

Home Mortgage Disclosure Act

A federal law that prevents redlining or denial of funds to certain areas, requires that public notices be posted by housing lenders.

Home Insurance Policy

A standardized package insurance policy that covers a residential real estate owner against financial loss on a dwelling and its contents and includes liability coverage.

HomeKeeperSM

Fannie Mae's adjustable-rate conventional reverse mortgage, which allows older homeowners to borrow against the value of their homes and receive the proceeds according to the payment option they select. The amount available is based on the number of borrowers and their ages and the adjusted property value. Anyone 62 years or older who either owns his or her own home free and clear or has very low mortgage debt is eligible.

Homeowners' Association

A nonprofit association that manages the common areas of a planned unit development (PUD) or condominium project. In a condominium project, it has no ownership interest in the common elements. In a PUD project, it holds title to the common elements.

Homeowner's Insurance

An insurance policy that combines personal liability insurance and hazard insurance coverage for a dwelling and its contents.

Homeowner's Warranty (HOW)

A type of insurance that covers repairs to specified parts of a house for a specific period of time. It is provided by the builder or property seller as a condition of the sale.

Homestead

Land that is owned and occupied as the family home. In Texas, a portion of the area or value of this land is protected or exempt from forced sale by creditors for judgments for debts with several exceptions.

HomeStyle® Mortgage Loan

A mortgage that enables eligible borrowers to obtain financing to remodel, repair, and upgrade their existing homes or homes that they are purchasing. The financing takes the form of a conventional second mortgage or a Federal Housing Administration (FHA) Section 203(k) first mortgage.

Housing Expense Ratio

The percentage of gross monthly income that goes toward paying housing expenses.

HUD Median Income

Median family income for a particular county or metropolitan statistical area (MSA), as estimated by the Department of Housing and Urban Development (HUD).

HUD-1 Statement

A document that provides an itemized listing of the funds that are payable at closing. Items that appear on the statement include real estate commissions, loan fees, points, and initial escrow amounts. Each item on the statement is represented by a separate number within a standardized numbering system. The totals at the bottom of the HUD-1 statement define the seller's net proceeds and the buyer's net payment at closing. The blank form for the statement is published by the Department of Housing and Urban Development (HUD). The HUD-1 statement is also known as the "closing statement" or "settlement sheet."

Hypothecation

The pledge of specific real or personal property as security for an obligation without surrendering possession of it.

Implied Agency

An agency created by acts or words of principle an agent, an agency inferred by circumstances.

Implied Contract

A contract under which the agreement of the parties is demonstrated by their acts and conduct.

Income Approach

The process of estimating the value of an income producing property by capitalization of the annual net income expected to be produced by the property during its remaining useful life.

Income Property

Real estate developed or improved to produce income.

Incorporeal Right

A nonpossessory right in real estate like an easement right of way.

Independent Contractor

Someone retained to perform a certain act but who is subject to the control and direction of another only as to the end result and not as to the way on which he or she performs the act. Unlike an employee, an independent contractor pays for all his or her expenses and Social Security and income taxes and receives no employee benefits. Most real estate salespeople are independent contractors.

Index

A number used to compute the interest rate for an adjustable-rate mortgage (ARM). The index is generally a published number or percentage, such as the average interest rate or yield on Treasury bills. A margin is added to the index to determine the interest rate that will be charged on the ARM. This interest rate is subject to any caps that are associated with the mortgage.

In-File Credit Report

An objective account, normally computer-generated, of credit and legal information obtained from a credit repository.

inflation

An increase in the amount of money or credit available in relation to the amount of goods or services available, which causes an increase in the general price level of goods and services. Over time, inflation reduces the purchasing power of a dollar, making it worth less.

Infrastructure

Roads, highways, sewage and drainage systems, and utility facilities necessary to support a concentration of population.

Inheritance Taxes

State imposed taxes on a decedent's real and personal property.

Initial Interest Rate

The original interest rate of the mortgage at the time of closing. This rate changes for an adjustable-rate mortgage (ARM). Sometimes known as "start rate" or "teaser."

Installment

The regular periodic payment that a borrower agrees to make to a lender.

Installment Loan

Borrowed money that is repaid in equal payments, known as installments. A furniture loan is often paid for as an installment loan.

Installment Sale

A transaction in which the sales price is paid in two or more installments over two or more years. If the sale meets certain requirements, a taxpayer can postpone reporting such income to future years by paying tax each year only on the proceeds received that year.

Insurable Title

A property title that a title insurance company agrees to insure against defects and disputes.

Insurance

A contract that provides compensation for specific losses in exchange for a periodic payment. An individual contract is known as an insurance policy, and the periodic payment is known as an insurance premium.

Insurance Binder

A document that states that insurance is temporarily in effect. Because the coverage will expire by a specified date, a permanent policy must be obtained before the expiration date.

Insured Mortgage

A mortgage that is protected by the Federal Housing Administration (FHA) or by private mortgage insurance (MI). If the borrower defaults on the loan, the insurer must pay the lender the lesser of the loss incurred or the insured amount.

Interest

The fee charged for borrowing money.

Interest Accrual Rate

The percentage rate at which interest accrues on the mortgage. In most cases, it is also the rate used to calculate the monthly payments, although it is not used for an adjustable-rate mortgage (ARM) with payment change limitations.

Interest Only Loan

A loan in which interest is paid periodically but no principle is paid until the due date on the note, when the entire principal amount is due with the final interest payment.

Interest Rate

The rate of interest in effect for the monthly payment due.

Interest Rate Buydown Plan

An arrangement wherein the property seller (or any other party) deposits money to an account so that it can be released each month to reduce the mortgagor's monthly payments during the early years of a mortgage. During the specified period, the mortgagor's effective interest rate is "bought down" below the actual interest rate.

Interest Rate Ceiling

For an adjustable-rate mortgage (ARM), the maximum interest rate, as specified in the mortgage note.

Interest Rate Floor

For an adjustable-rate mortgage (ARM), the minimum interest rate, as specified in the mortgage note.

Interim Financing

A short term loan usually made during the construction phase of a building project, often referred to as a construction loan.

Intermediary Broker

A broker who is employed to negotiate a transaction between both parties and who for that purpose may be an agent of both parties to the transaction, acting fairly so as not to favor one party over the other.

Internal Revenue Service Tax Lien

A general lien imposed by the IRS for the nonpayment of income taxes.

Interstate Land Sales Full Disclosure Act

A federal law requiring that a property report be furnished to prospective buyers of certain types of real estate.

Intestate

The condition of a property owner who dies without leaving a valid will. Title to the property will pass to his or her heirs as provided in the state law of descent.

Intimidation

As defined in the fair housing laws, the illegal act of coercing, threatening or interfering with a person for exercising or enjoying any right granted or protected by federal, state or local fair housing laws.

Intrinsic Value

An appraisal term meaning the result of a person's individual choices and preferences.

Investment Property

A property that is not occupied by the owner.

Involuntary Alienation

See Alienation

Involuntary Lien

A lien that arises by the action of another, such as a judgment lien.

IRA (Individual Retirement Account)

A retirement account that allows individuals to make tax-deferred contributions to a personal retirement fund. Individuals can place IRA funds in bank accounts or in other forms of investment such as stocks, bonds, or mutual funds.

Joint Tenancy

A form of co-ownership that gives each tenant equal interest and equal rights in the property, including the right of survivorship.

Judgment

A decision made by a court of law. In judgments that require the repayment of a debt, the court may place a lien against the debtor's real property as collateral for the judgment's creditor.

Judgment Lien

A lien on the property of a debtor resulting from the decree of a court.

Judicial Foreclosure

A type of foreclosure proceeding used in some states that is handled as a civil lawsuit and conducted entirely under the auspices of a court.

Junior lien

An obligation such as a second mortgage that is subordinate in right or lien property to an existing lien in the same realty.

Jumbo Loan

A loan that exceeds Fannie Mae's legislated mortgage amount limits. Also called a nonconforming loan.

Jurat

A person signing a document swears before a notary that the information in the document is true and correct and signs the document in the presence of the notary.

Laches

An equitable doctrine used by courts to bar a legal claim or prevent the assertion of a right because of undue delay or failure to assert a claim or right.

Land

The earth's surface extending downward to the center of the earth and upward infinitely into space.

Land Contract

See Contract for Deed.

Last Will and Testament

See Will.

Late Charge

The penalty a borrower must pay when a payment is made a stated number of days (usually 15) after the due date.

Latent Defect

A hidden structural defect presumably resulting from faulty construction known to the seller but not to the purchaser and not readily discoverable by inspection.

Law of Agency

See Agent.

League

In Texas a tract or land that was granted to a settler by the Mexican government. A league consists of 6.919 square miles.

Lease

A written agreement between the property owner and a tenant that stipulates the conditions under which the tenant may possess the real estate for a specified period of time and rent.

Leasehold Estate

A way of holding title to a property wherein the mortgagor does not actually own the property but rather has a recorded long-term lease on it.

Lease-Purchase Mortgage Loan

An alternative financing option that allows low- and moderate-income home buyers to lease a home from a nonprofit organization with an option to buy. Each month's rent payment consists of principal, interest, taxes and insurance (PITI) payments on the first mortgage plus an extra amount that is earmarked for deposit to a savings account in which money for a down payment will accumulate.

Legacy

A disposition of money or personal property by will.

Legal Description

A property description, recognized by law, that is sufficient to locate and identify the property without oral testimony.

Legality of Object

An essential component of a valid contract, a contract must be for a legal purpose and in compliance with public policy.

Lessee

See Lease.

Lessor

See Lease.

Leverage

The use of borrowed money to finance the bulk of an investment and to magnify the rate of return.

Levy

To assess, to levy a tax is to assess a property and set the rate of taxation.

Liabilities

A person's financial obligations. Liabilities include long-term and short-term debt, as well as any other amounts that are owed to others.

Liability Coverage

Insurance that protects against risks that could render the property owner responsible for certain damages to the property or persons of others.

Liability Insurance

Insurance coverage that offers protection against claims alleging that a property owner's negligence or inappropriate action resulted in bodily injury or property damage to another party.

License

A privilege or right granted to a person by a state to operate as a real estate broker or salesperson. The revocable permission for a temporary use of land, a personal right that cannot be sold.

Lien

A legal claim against a property that must be paid off when the property is sold.

Lien Theory

Some states interpretation of a mortgage as being purely a lien on real property. The mortgagee this has no right of possession but must foreclose the lien and sell the property if the mortgagor defaults. Texas is a lien theory state.

Life Estate

An interest in real or personal property that is limited in duration to the lifetime of its owner or some other designated person.

Life Tenant

A person in possession of a life estate.

Lifetime Payment Cap

For an adjustable-rate mortgage (ARM), a limit on the amount that payments can increase or decrease over the life of the mortgage. See cap.

Lifetime Rate Cap

For an adjustable-rate mortgage (ARM), a limit on the amount that the interest rate can increase or decrease over the life of the loan. See cap.

Line of Credit

An agreement by a commercial bank or other financial institution to extend credit up to a certain amount for a certain time to a specified borrower. See home equity line of credit.

Linear Measure

A measurement made on a line. The linear measure of a 4-foot square is 16 feet, also called lineal measure.

Liquid Asset

A cash asset or an asset that is easily converted into cash.

Liquidated Damages

An amount predetermined by the parties to an agreement as the total amount of compensation an injured party should receive if the other party breaches a contract, usually the earnest money in a residential sales transaction.

Liquidity

The ability to sell an asset and convert it into cash at a price close to its true value in a short period of time.

Lis Pendens

A recorded legal document giving constructive notice that an action affecting a particular property has been filed in either a state or a federal court.

Listing Agreement

A contract between a landowner (as principle) and a licensed real estate broker (as agent) by which the broker is employed to sell real estate on the owner's terms within a given time, for which service the landowner agrees to pay a commission.

Listing Broker

The broker in a multiple listing situation from whose office a listing agreement is initiated, as opposed to the selling broker, from whose office negotiations leading up to a sale are initiated.

Littoral Rights

A landowner's claim to use water in large navigable lakes and oceans that are adjacent to his or her property. The ownership rights to land bordering these bodies of water up to the mean vegetation line.

Loan

A sum of borrowed money (principal) that is generally repaid with interest.

Loan Commitment

See commitment letter.

Loan Discount

See Discount Points.

Loan Origination

The process by which a mortgage lender brings into existence a mortgage secured by real property.

Loan Origination Fee

The amount a lender charges for processing a loan, usually a percentage of the face amount of the loan.

Loan-to-value (LTV) Percentage

The relationship between the principal balance of the mortgage and the appraised value (or sales price if it is lower) of the property. For example, a \$100,000 home with an \$80,000 mortgage has a LTV percentage of 80 percent.

Locational Obsolescence.

See External Obsolescence

Loss

The difference between the purchase price and the selling price of a property if the purchase price exceeds the selling price.

Lock-in

A written agreement in which the lender guarantees a specified interest rate if a mortgage goes to closing within a set period of time. The lock-in also usually specifies the number of points to be paid at closing.

Lock-in Period

The time period during which the lender has guaranteed an interest rate to a borrower. See lock-in.

Lot and Block Description

A description of real property that identifies a parcel of land by reference to lot and block numbers within a subdivision as specified on a plat of subdivision duly recorded in the county clerk's office.

Management Agreement

A contract between the owner of income property and a management firm or an individual property manager that outlines the scope of the manager's authority to manage the property.

Mandatory Continuing Education (MCE)

A requirement for most brokers and all salespersons to complete 15 classroom hours of education once every two years in order to renew a real estate license, becomes effective after the completion of salesperson annual education (SAE) requirements are met.

Manufactured Home

A manufactured home is a single family house constructed entirely in a controlled factory environment, built to the federal Manufactured Home Construction and Safety Standards (better known as the HUD Code).

Margin

For an adjustable-rate mortgage (ARM), the amount that is added to the index to establish the interest rate on each adjustment date, subject to any limitations on the interest rate change.

Market

A place where goods can be bought and sold and a price established.

Marketable Title

Good or clear title reasonably free from the risk of litigation over possible defects.

Market Data Approach to Value

See Sales Comparison Approach

Market Price

The actual selling price of a property.

Market Value

The highest price a ready, willing and able buyer would pay and the lowest price a ready willing and able seller would accept neither being under any pressure to act.

Master Association

A homeowners' association in a large condominium or planned unit development (PUD) project that is made up of representatives from associations covering specific areas within the project. In effect, it is a "second-level"

association that handles matters affecting the entire development, while the "first-level" associations handle matters affecting their particular portions of the project.

Maturity

The date on which the principal balance of a loan, bond, or other financial instrument becomes due and payable.

Maximum Financing

A mortgage amount that is within 5 percent of the highest loan-to-value (LTV) percentage allowed for a specific product. Thus, maximum financing on a fixed-rate mortgage would be 90 percent or higher, because 95 percent is the maximum allowable LTV percentage for that product.

Mechanic's Lien

A statutory lien created in favor of contractors, laborers, materialmen and others (including architects, engineers or surveyors) who have performed work or furnished materials in the erection or repair of a building.

Merged Credit Report

A credit report that contains information from three credit repositories. When the report is created, the information is compared for duplicate entries. Any duplicates are combined to provide a summary of a your credit.

Metes And Bounds Description

A legal description of a parcel of land that begins at a well marked point and follows the boundaries using direction and distances around the tract back to the place of beginning.

Mitigate Damages

To take reasonable steps to reduce or eliminate the amount of damages to be incurred by another party.

Modification

The act of changing any of the terms of the mortgage.

Money Judgment

A court judgment ordering payment of money rather than specific performance of a certain action.

Money Market Account

A savings account that provides bank depositors with many of the advantages of a money market fund. Certain regulatory restrictions apply to the withdrawal of funds from a money market account.

Money Market Fund

A mutual fund that allows individuals to participate in managed investments in short-term debt securities, such as certificates of deposit and Treasury bills.

Month To Month Tenancy

A periodic tenancy under which the tenant rents for one month at a time. In the absence of a rental agreement (oral or written), a tenancy is generally considered to be month to month.

Monument

A fixed natural or artificial object used to establish real estate boundaries for a metes and bounds description.

Monthly Fixed Installment

That portion of the total monthly payment that is applied toward principal and interest. When a mortgage negatively amortizes, the monthly fixed installment does not include any amount for principal reduction.

Monthly Payment Mortgage

A mortgage that requires payments to reduce the debt once a month.

Mortgage

A legal document that pledges a property to the lender as security for payment of a debt.

Mortgage Backed Securities

Securities that are secured by pools of mortgages and are used to channel funds from securities markets to housing markets, Fannie Mae, Freddie Mac and Ginne Mae have mortgage backed securities programs.

Mortgage Banker

A company that originates mortgages exclusively for resale in the secondary mortgage market.

Mortgage Broker

An individual or company that brings borrowers and lenders together for the purpose of loan origination. Mortgage brokers typically require a fee or a commission for their services.

Mortgage (Purchase Money) Lien

A lien or charge on the property of a mortgagor that secures the underlying debt obligations.

Mortgagee

The lender in a mortgage agreement.

Mortgage Insurance

A contract that insures the lender against loss caused by a mortgagor's default on a government mortgage or conventional mortgage. Mortgage insurance can be issued by a private company or by a government agency such as the Federal Housing Administration (FHA). Depending on the type of mortgage insurance, the insurance may cover a percentage of or virtually all of the mortgage loan. See private mortgage insurance (MI).

Mortgage Insurance Premium (MIP)

The amount paid by a mortgagor for mortgage insurance, either to a government agency such as the Federal Housing Administration (FHA) or to a private mortgage insurance (MI) company.

Mortgage Life Insurance

A type of term life insurance often bought by mortgagors. The amount of coverage decreases as the principal balance declines. In the event that the borrower dies while the policy is in force, the debt is automatically satisfied by insurance proceeds.

Mortgagor

The borrower in a mortgage agreement.

Multi Dwelling Units

Properties that provide separate housing units for more than one family, although they secure only a single mortgage.

Multifamily Mortgage

A residential mortgage on a dwelling that is designed to house more than four families, such as a high-rise apartment complex.

Multiperil Policies

A type of insurance that packages several types of coverage into one policy.

Multiple Listing

An exclusive listing (generally an exclusive right to sell) with the additional authority and obligation on the part of the listing broker to distribute the listing to other brokers in a multiple listing service (MLS)

Municipal Utility District

A defined geographic area created by a developer that levies taxes to pay for providing water and sewer utilities to its inhabitants, usually outside a municipality.

National Association of Realtors®

The largest real estate professional organization in the world, representing all branches of the real estate industry. Active members are allowed to use the trademark Realtor®.

Negative Amortization

A gradual increase in mortgage debt that occurs when the monthly payment is not large enough to cover the entire principal and interest due. The amount of the shortfall is added to the remaining balance to create "negative" amortization.

Negative Cash Flow

See Cash Flow

Negotiable Instrument

A written instrument such as a note that may be transferred by endorsement or delivery. The holder or payee may sign the instrument over to another person or in certain cases merely deliver it to him or her. The transferee then has the original payee's right to payment.

Net Cash Flow

The income that remains for an investment property after the monthly operating income is reduced by the monthly housing expense, which includes principal, interest, taxes, and insurance (PITI) for the mortgage, homeowners' association dues, leasehold payments, and subordinate financing payments.

Net Lease

A lease requiring that the tenant pay not only rent but also all costs incurred in maintaining the property including taxes, insurance and repairs.

Net Listing

A listing based on the net price the seller will receive of the property is sold. Under a net listing the broker is free to offer the property for sale at the highest price he or she can get in order to increase the commission. This type of listing is outlawed in many states, it is not recommended in Texas.

Net Worth

The value of all of a person's assets, including cash, minus all liabilities.

No Cash-out Refinance

A refinance transaction in which the new mortgage amount is limited to the sum of the remaining balance of the existing first mortgage, closing costs (including prepaid items), points, the amount required to satisfy any mortgage liens that are more than one year old (if the borrower chooses to satisfy them), and other funds for the borrower's use (as long as the amount does not exceed 1 percent of the principal amount of the new mortgage).

Nonconforming Use

A use of property that is permitted to continue after a zoning ordinance prohibiting it has been established for the area.

Nonhomogeneity

A lack of uniformity, dissimilarity.

Nonliquid Asset

An asset that cannot easily be converted into cash.

Nonrecourse Note

A loan for which the sole source of satisfaction for default is the property that was given as collateral; the debtor has no personal liability for any shortfall. Equity loans and reverse annuity mortgages are nonrecourse.

Nonresident Broker

A resident broker of another state also licensed in Texas but not a Texas resident.

Note

A legal document that obligates a borrower to repay a mortgage loan at a stated interest rate during a specified period of time.

Note Rate

The interest rate stated on a mortgage note.

Notice of Default

A formal written notice to a borrower that a default has occurred and that legal action may be taken.

Novation

Substituting a new obligation for an old one or substituting new parties to an existing obligation.

Objective Value

The actual value measured in dollars of an aspect of construction or location.

Offer and Acceptance

Two essential components of a valid contract, a meeting of the minds.

Open End Mortgage

A mortgage loan that is expandable by increments up to a maximum dollar amount, the full loan being secured by the same original mortgage.

Open Listing

A listing contract under which the broker's commission is contingent on the broker's producing a ready, willing and able buyer before the property is sold by the seller or another broker.

Option

The right to purchase property within a definite time at a specified price. There is no obligation to purchase but the seller is obligated to sell if the option holder exercises the right to purchase.

Original Principal Balance

The total amount of principal owed on a mortgage before any payments are made.

Origination Fee

A fee paid to a lender for processing a loan application. The origination fee is stated in the form of points. One point is 1 percent of the mortgage amount.

Ostensible Agency

A form of implied agency relationship created by the actions of the parties involved rather than by written agreement or document.

Owely

The difference paid or secured by one cotenant to another for the purpose of equalizing a partition of assets.

Owner Financing

A property purchase transaction in which the property seller provides all or part of the financing.

Package Mortgage

A method of financing in which the loan that finances the purchase of a home also finances the purchase of certain items of personal property such as a washer, dryer, refrigerator, stove and other specified appliances.

Panic Peddling

The illegal practice of inducing panic selling in a neighborhood by making representations of the entry, or prospective entry, of members of a minority group, also called blockbusting.

Parcel

A specific portion of a large tract of real estate, a lot.

Partial Payment

A payment that is not sufficient to cover the scheduled monthly payment on a mortgage loan.

Partition

The division of cotenants interests in real property when the parties do not agree to terminate the co-ownership voluntarily, takes place through court procedures.

Partnership

An association of two or more individuals who carry on a continuing business for profit as co-owners.

Party

A prospective buyer, seller, landlord or tenant or the person's authorized representative (excluding a real estate licensee).

Party Wall

A wall that is located on or at a boundary line between two adjoining parcels of land and is used or is intended to be used by the owners of both properties.

Patent

A grant or franchise of land from the U.S. government.

Payment Change Date

The date when a new monthly payment amount takes effect on an adjustable-rate mortgage (ARM) or a graduated-payment adjustable-rate mortgage (GPARM). Generally, the payment change date occurs in the month immediately after the adjustment date.

Percentage Lease

A lease, commonly used for retail property, whose rental is based on the tenant's gross sales at the premises, it generally stipulates a base monthly rental plus a percentage of any gross sales above a certain amount.

Periodic Estate

An interest in leased property that continues from period to period, week to week, month to month, year to year.

Periodic Payment Cap

For an adjustable-rate mortgage (ARM), a limit on the amount that payments can increase or decrease during any one adjustment period. See cap.

Periodic Rate Cap

For an adjustable-rate mortgage (ARM), a limit on the amount that the interest rate can increase or decrease during any one adjustment period, regardless of how high or low the index might be. See cap.

Personal Property

Any property that is not real property.

Physical Deterioration

A reduction in a property's value resulting from a decline in physical condition can be caused by action of the elements or by ordinary wear and tear.

PITI

See principal, interest, taxes, and insurance (PITI).

PITI Reserves

A cash amount that a borrower must have on hand after making a down payment and paying all closing costs for the

purchase of a home. The principal, interest, taxes, and insurance (PITI) reserves must equal the amount that the borrower would have to pay for PITI for a predefined number of months.

Planned Unit Development

See PUD.

Plat

A map of a town, section or subdivision indicating the location and boundaries of individual properties.

Plottage Value

The increase in value or utility resulting from the consolidation of two or more adjacent lots into one larger lot.

Point

A one-time charge by the lender for originating a loan. A point is 1 percent of the amount of the mortgage.

Point (Place) of Beginning

In a metes and bounds legal description, the starting point of the survey, situated in one corner of the parcel.

Police Power

The government's right to impose laws, statutes and ordinances including zoning ordinances and building codes to protect the public health, safety, morals and welfare.

Power Of Attorney

A legal document that authorizes another person to act on one's behalf. A power of attorney can grant complete authority or can be limited to certain acts and/or certain periods of time.

Power Of Sale Clause

A provision in a deed of trust authorizing the trustee to sell a property in the event of the borrower's default.

prearranged refinancing agreement

A formal or informal arrangement between a lender and a borrower wherein the lender agrees to offer special terms (such as a reduction in the costs) for a future refinancing of a mortgage being originated as an inducement for the borrower to enter into the original mortgage transaction.

Precedent

In law, the requirements established by prior court decisions.

Preforeclosure Sale

A procedure in which the investor allows a mortgagor to avoid foreclosure by selling the property for less than the amount that is owed to the investor.

Prepaid Item

Item on a closing statement that has been paid in advance by the seller, such as insurance premiums, for which he or she must be reimbursed by the buyer.

Prepayment

Any amount paid to reduce the principal balance of a loan before the due date. Payment in full on a mortgage that may result from a sale of the property, the owner's decision to pay off the loan in full, or a foreclosure. In each case, prepayment means payment occurs before the loan has been fully amortized.

Prepayment Penalty

A fee that may be charged to a borrower who pays off a loan before it is due.

Pre-qualification

The process of determining how much money a prospective home buyer will be eligible to borrow before he or she applies for a loan.

Price Fixing

See Antitrust Laws

Primary Mortgage Market

See Secondary Mortgage Market

Prime Rate

The interest rate that banks charge to their preferred customers. Changes in the prime rate influence changes in other rates, including mortgage interest rates.

Principal

The amount borrowed or remaining unpaid. The part of the monthly payment that reduces the remaining balance of a mortgage.

Principal Balance

The outstanding balance of principal on a mortgage. The principal balance does not include interest or any other charges. See remaining balance.

Principal, Interest, Taxes, and Insurance (PITI)

The four components of a monthly mortgage payment. Principal refers to the part of the monthly payment that reduces the remaining balance of the mortgage. Interest is the fee charged for borrowing money. Taxes and insurance refer to the amounts that are paid into an escrow account each month for property taxes and mortgage and hazard insurance.

Principle Meridian

One of 35 north and south survey lines established and defined as part of the rectangular survey system.

Principle of Conformity

An appraisal principle holding that the maximum value is realized when a reasonable degree of homogeneity exists in a neighborhood.

Prior Appropriation

A concept of water ownership in which the landowner's right to use available water is based on a government administered permit system.

Priority

The order of position of time. The priority of liens generally is determined by the chronological order in which the lien documents are recorded. Tax liens, however, have priority even over previously recorded liens, and mechanic's liens from the date materials were delivered or work begun.

Private Mortgage Insurance (PMI)

Mortgage insurance that is provided by a private mortgage insurance company to protect lenders against loss if a borrower defaults. Most lenders generally require MI for a loan with a loan-to-value (LTV) percentage in excess of 80 percent.

Probate

A legal process by which a court determines who will inherit a decedent's property and what the estate assets are.

Procuring Cause

The effort that brings about the desired result. Under an open listing the broker who is the procuring cause of the sale receives the commission.

Professional Inspector

A person who accepts employment for the purpose of performing a real property inspection for a buyer or seller.

Promissory Note

A written promise to repay a specified amount over a specified period of time.

Promulgated Contracts

Various standard contracts prepared and authorized by the Texas Real Estate Commission that must be used by all licensees when acting as agents in real estate transactions, with limited specific exceptions.

Property Manager

Someone who manages real estate for another person for compensation. Duties include collecting rents, maintaining the property and accounting for all income and expenses.

Prorate

To divide or distribute expenses either prepaid or paid in arrears, between buyer and seller at the closing.

Public Auction

A meeting in an announced public location to sell property to repay a mortgage that is in default.

Public Ownership

Ownership of land by a government entity.

PUD - Planned Unit Development

A project or subdivision that includes common property that is owned and maintained by a homeowners' association for the benefit and use of the individual PUD unit owners.

Puffing

Exaggerated or superlative comments or opinions not made as representations of fact and thus not grounds for misrepresentations.

Pur Autre Vie

For the life of another. A life estate pur autre vie is a life estate that is measured by the life of a person other than the grantee.

Purchase And Sale Agreement

A written contract signed by the buyer and seller stating the terms and conditions under which a property will be sold.

Purchase Money Mortgage

A note secured by a mortgage or trust deed given by a buyer, as mortgagor, to a seller, as mortgagee, as part of the purchase price of the real estate.

Purchase Money Transaction

The acquisition of property through the payment of money or its equivalent.

Pyramiding

A process of acquiring additional properties through refinancing properties already owned and then reinvesting the loan proceeds in additional property.

Qualifying Ratios

Calculations that are used in determining whether a borrower can qualify for a mortgage. They consist of two separate calculations: a housing expense as a percent of income ratio and total debt obligations as a percent of income ratio.

Quiet Title Suit

See Suit To Quiet Title.

Quitclaim Deed

A deed that transfers without warranty whatever interest or title a grantor may have at the time the conveyance is made.

Radon

A radioactive gas found in some homes that in sufficient concentrations can cause health problems.

Range

A strip of land six miles wide, extending north and south an numbered east and west according to its distance from the principal meridian in the rectangular attached thereto, whether by nature or by person.

Rate-Improvement Mortgage

A fixed-rate mortgage that includes a provision that gives the borrower a one-time option to reduce the interest rate (without refinancing) during the early years of the mortgage term.

Rate Lock

A commitment issued by a lender to a borrower or other mortgage originator guaranteeing a specified interest rate for a specified period of time. See lock-in.

Ready, Willing And Able Buyer

One who is prepared to buy property on the seller's terms and is ready to take possible steps to consummate the transaction.

Real Estate

A portion of the earth's surface extending downward to the center of the earth and upward infinitely into space, including all things permanently attached thereto, whether by nature or by a person.

Real Estate Agent

A person licensed to negotiate and transact the sale of real estate on behalf of the property owner.

Real Estate Broker

Any person or corporation who sells (or offers to sell) buys (or offers to buy) or negotiates the purchase sale or exchange of real estate or who leases (or offers to lease) or rents (or offers to rent) any real estate or the improvements thereon for others and for compensation or valuable consideration. A real estate broker may not conduct business without a real estate license.

Real Estate Center

A real estate research center located at Texas A&M University, broker and salesperson licensees pay fees to the center with each renewal. Also known as the Texas Real Estate Research Center.

Real Estate Inspector

A person who under the indirect supervision of a professional inspector accepts employment for the purpose of performing a real property inspection for a buyer or seller.

Real Estate Investment Syndicate

See Syndicate

Real Estate Investment Trust (REIT)

Trust ownership of real estate by a group of at least 100 individuals who purchase certificates of ownership in the trust, which in turn invests the money in real property and distributes the profits back to the investors free of corporate income tax.

Real Estate Law

State law enacted to protect the public from fraud, dishonesty and incompetence in the purchase and sale of real estate.

Real Estate Mortgage Investment Conduit (REMIC)

A tax device that allows cash flows from an underlying block of mortgages to be passed through to security holders without being subject to income taxes at the level of trustee or agent.

Real Estate Recovery Fund

See Recovery Fund

Real Estate Settlement Procedures Act (RESPA)

A consumer protection law that requires lenders to give borrowers advance notice of closing costs.

Real Property

Land and appurtenances, including anything of a permanent nature such as structures, trees, minerals, and the interest, benefits, and inherent rights thereof.

Realtist

A person who is a member of the National Association of Real Estate Boards.

Realtor®

A real estate broker or an associate who holds active membership in a local real estate board that is affiliated with the National Association of Realtors®.

Realty

See Real Estate

Rescission

The cancellation or annulment of a transaction or contract by the operation of a law or by mutual consent. Borrowers usually have the option to cancel a refinance transaction within three business days after it has closed.

Reconciliation

The final step in the appraisal process, in which the appraiser weighs the estimates of value received from the sales comparison, cost and income approaches to arrive at a final estimate of market value for the subject property.

Recorded Plat

A subdivision map filed in the county recorder's office that shows the location and boundaries (lot and block number) of individual parcels of land.

Recorder

The public official who keeps records of transactions that affect real property in the area. Sometimes known as a "Registrar of Deeds" or "County Clerk."

Recording

The noting in the registrar's office of the details of a properly executed legal document, such as a deed, a mortgage note, a satisfaction of mortgage, or an extension of mortgage, thereby making it a part of the public record.

Recovery Fund

A fund established from real estate license revenues to cover claims of aggrieved parties who have suffered monetary damage through the illegal actions of a real estate or property inspection licensee.

Rectangular Survey System

A system established in 1785 by the federal government providing for surveying and describing land by reference to principle meridians and base lines. Also known as the government survey system.

Redemption

Buying back real estate sold in a tax sale. The defaulted owner is said to have the right of redemption.

Redemption Period

A period established by state law during which a property owner had the right to redeem his or her real estate from a tax sale by paying the sales price, interest and costs. Texas law does not permit redemption after a deed of trust foreclosure.

Redlining

The illegal practice of a lending institutions denying loans or restricting their number for certain areas of a community.

Regulation Z

Law requiring credit institutions to inform borrowers of the true cost of obtaining credit, commonly called the Truth in Lending Act.

Refinance Transaction

The process of paying off one loan with the proceeds from a new loan using the same property as security.

Rehabilitation Mortgage

A mortgage created to cover the costs of repairing, improving, and sometimes acquiring an existing property.

Release Deed

A document that transfers all rights given a trustee under a trust deed loan back to the grantor after the loan has been fully repaid, also known as a deed of reconveyance.

Release of Lien

An instrument indicating that a previously existing lien has been released and is no longer enforceable.

Remainder Interest

The future interest in an estate that takes effect after the termination of another estate, such as a life estate.

Remaining Balance

The amount of principal that has not yet been repaid. See principal balance.

Remaining Term

The original amortization term minus the number of payments that have been applied.

Rent Loss Insurance

Insurance that protects a landlord against loss of rent or rental value due to fire or other casualty that renders the leased premises unavailable for use and as a result of which the tenant is excused from paying rent.

Renters Insurance

The type of insurance that covers the personal property and household goods of renters or condominium owners but does not cover the structure.

Rent With Option To Buy

See lease-purchase mortgage loan.

Repayment Plan

An arrangement made to repay delinquent installments or advances. Lenders' formal repayment plans are called "relief provisions."

Replacement Cost

The construction cost at current prices of a property that is not necessarily an exact duplicate of the subject property but serves the same purpose or function as the original.

Replacement Reserve Fund

A fund set aside for replacement of common property in a condominium, PUD, or cooperative project -- particularly that which has a short life expectancy, such as carpeting, furniture, etc.

Reproduction Cost

The construction cost at current prices of an exact duplicate of the subject property.

Reservation

Something retained by the seller for example, minerals, a life estate or an access easement.

Residential Rental Locator

A person, other than the owner of the property or an on site manager who offers for consideration to locate a unit in an apartment complex for lease to a prospective tenant.

RESPA

The Real Estate Settlement Procedures Act.

Restrictive Covenant

A clause in a deed that limits the way property may be used, generally originated by the owner or developer in a deed. Also known as a deed restriction.

Reverse Annuity Mortgage

A form of mortgage that enables homeowners age 62 and older to borrow against the equity in their homes, receiving monthly payments to help meet living costs.

Reversion

The remnant of an estate that the grantor holds after he or she had granted a life estate to another person, the estate will return or revert to the grantor, also called a reverter.

Reversionary Interest

See Reversion

Reversionary Right

An owners right to regain possession of leased property on termination of the lease agreement.

Revocation

Termination of licensure privileges for cause.

Revolving Liability

A credit arrangement, such as a credit card, that allows a customer to borrow against a preapproved line of credit when purchasing goods and services. The borrower is billed for the amount that is actually borrowed plus any interest due.

Rider

See Endorsement.

Right Of First Refusal

A provision in an agreement that requires the owner of a property to give another party the first opportunity to purchase or lease the property before he or she offers it for sale or lease to others.

Right Of Ingress Or Egress

The right to enter or leave designated premises.

Right Of Survivorship

In joint tenancy, the right of survivors to acquire the interest of a deceased joint tenant.

Right of Way

The right or privilege acquired through accepted usage or contract, to pass over a designated portion of the property of another.

Right of Way Agent

A person who sells, buys, leases or transfers an easement or right of way for another for compensation.

Riparian Rights

An owner's right in land that borders on or includes a stream, river or lake. These rights include access to and use of the water for domestic purposes.

Risk Management

Evaluation and selection of appropriate property and insurance coverage.

Rural Development

An agency within the U.S. Department of Agriculture that makes residential loans in rural communities with populations of 10,000 or less.

Rural Housing Service (RHS)

An agency within the Department of Agriculture, which operates principally under the Consolidated Farm and Rural Development Act of 1921 and Title V of the Housing Act of 1949. This agency provides financing to farmers and other qualified borrowers buying property in rural areas who are unable to obtain loans elsewhere. Funds are borrowed from the U.S. Treasury.

Sale-Leaseback

A technique in which a seller deeds property to a buyer for a consideration, and the buyer simultaneously leases the property back to the seller.

Sales Comparison Approach

The process of estimating the value of a property by examining and comparing actual sales of comparable properties.

Sales Contract

A contract containing the complete terms of the agreement between buyers and sellers for the sale of a particular parcel or parcels of real estate.

Salesperson

A person who performs real estate activities while employed by or associated with a licensed real estate broker.

Salesperson Annual Education (SAE)

A requirement for education beyond that needed to obtain a real estate salesperson license, continuing education for the first year of licensure.

Satisfaction of Mortgage

A document acknowledging the payment of a debt.

Second Mortgage

A mortgage that has a lien position subordinate to the first mortgage.

Secondary Mortgage Market

The buying and selling of existing mortgages.

Section

A square with mile long sides and an area of one square mile or 640 acres.

Secured Loan

A loan that is backed by collateral.

Security

The property that will be pledged as collateral for a loan.

Seller Take-Back

An agreement in which the owner of a property provides financing, often in combination with an assumable mortgage. See owner financing.

Sellers Broker

A real estate broker, also called the listing broker, who is employed by and represents only the seller in a real estate transaction. Not to be confused with the selling broker.

Sellers Disclosure Notice

A notice required of most sellers of real property, must state latent structural defects or any other known structural defects.

Selling Broker

The broker working with or representing a buyer in the purchase of a listed property.

Separate Property

Under community property law, property owned solely by either spouse before the marriage, acquired by gift or inheritance during the marriage, purchased with separate funds during the marriage or separated by written agreement during the marriage.

Servicer

An organization that collects principal and interest payments from borrowers and manages borrowers' escrow accounts. The servicer often services mortgages that have been purchased by an investor in the secondary mortgage market.

Servicing

The collection of mortgage payments from borrowers and related responsibilities of a loan servicer.

Servient Tenement

Land on which an easement exists in favor of an adjacent property.

Setback

The amount of space local zoning regulations require between a lot line and a building line.

Settlement

See closing.

Settlement Sheet

See HUD-1 statement.

Severalty

Ownership of real property by one person or one legal entity only, also called sole ownership.

Severance

Changing an item of real estate to personal property by detaching it from the land, for example cutting down a tree.

Shared Appreciation Mortgage

A mortgage loan in which the lender in exchange for a loan with a favorable interest rate, participates in the profits the mortgagor receives when the property is eventually sold.

Situs

The personal preference of people for one area over another area, not necessarily based on objective facts and knowledge.

Sole Ownership

See Severalty.

Sole Proprietorship

A method of owning a business in which one person owns the whole business and reports all profits and losses on his or her personal income tax return.

Special Agent

One authorized by a principal to perform a single act or transaction, a real estate broker is usually a special agent for a seller, authorized to find a ready, willing and able buyer for a particular property.

Special Assessment

A tax or levy customarily imposed against only those specific parcels of real estate that will benefit from a proposed public improvement like a street or paved alley.

Special Deposit Account

An account that is established for rehabilitation mortgages to hold the funds needed for the rehabilitation work so they can be disbursed from time to time as particular portions of the work are completed.

Special Warranty Deed

A deed in which the grantor warrants or guarantees the title only against defects arising during the period of his or her tenure and ownership of the property and not against defects existing before that time.

Specific Lien

A lien affecting or attaching only to a certain specific parcel or piece of property.

Specific Performance

A legal action brought to compel a party to carry out the terms of the contract.

Spot Zoning

A change in a local zoning ordinance to permit a particular use that is inconsistent with the area's zoning classification. Spot zoning is not favored in the law.

Standard Payment Calculation

The method used to determine the monthly payment required to repay the remaining balance of a mortgage in substantially equal installments over the remaining term of the mortgage at the current interest rate.

Statute of Frauds

That part of state law that requires certain instruments, such as deeds, real estate sales contracts and certain leases, to be in writing to be legally enforceable.

Statute of Limitations

That law pertaining to the period of time within which certain actions must be brought to court.

Statutory Lien

A lien imposed on property by statute, a tax lien.

Statutory Right of Redemption

The right of a defaulted property owner to recover the property after its sale by paying the appropriate fees and charges, available in Texas for tax foreclosures and homeowners associations assessment liens, not available for deed of trust foreclosure.

Statutory Year

A year composed of 12 months, each with 30 days, for a total of 360 days in a statutory year. Also known as a banker's year, contrast with a calendar year, which has 365 days, or 366 in a leap year.

Steering

The illegal practice of channeling home seekers to particular areas, either to maintain the homogeneity of an area or to change the character of an area to create a speculative situation.

Straight Line Method

A method of calculating depreciation for tax purposes, computed by dividing the adjusted basis of a property by the estimated number of years of remaining useful life.

Straight Loan

See Interest Only Loan

Step-Rate Mortgage

A mortgage that allows for the interest rate to increase according to a specified schedule (i.e., seven years), resulting in increased payments as well. At the end of the specified period, the rate and payments will remain constant for the remainder of the loan.

Subagent

A licensee who represents a principle through cooperation with and consent of a broker representing the principle and who is not sponsored by or associated with the principle's broker.

Subdivision

A housing development that is created by dividing a tract of land into individual lots for sale or lease.

Subjective Value

The perceived value of an item based on the relative benefits expected to be derived from its use.

Subject To Clause

A provision in a deed specifying exceptions and reservations affecting the title.

Subject To Mortgage

The buyer of an already mortgaged property makes the payments but does not take personal responsibility for the loan. Should the mortgage be foreclosed and the property sold for a lesser amount than is owed, the grantee/buyer is not personally liable for the deficiency but the grantor/seller is.

Sublease

The leasing of premises by a lessee to a third party for part of the lessee's remaining term.

Subordinate Financing

Any mortgage or other lien that has a priority that is lower than that of the first mortgage.

Subordination

Relegation to a lesser position, usually in respect to a right or security.

Subordination Agreement

A written agreement between holders of liens on a property that changes the priority of mortgage, judgment and others liens under certain circumstances.

Subpoena

A legal process ordering a witness to appear and give testimony or to present documents under penalty of law. TREC has power to subpoena.

Subrogation

The substitution of one creditor for another, with the substituted person succeeding to the legal rights and claims of the original claimant. Subrogation is used by title insurers to acquire from the injured party rights to sue to recover any claims they have paid.

Subsidized Second Mortgage

An alternative financing option known as the Community Seconds® mortgage for low- and moderate-income households. An investor purchases a first mortgage that has a subsidized second mortgage behind it. The second mortgage may be issued by a state, county, or local housing agency, foundation, or nonprofit corporation. Payment on the second mortgage is often deferred and carries a very low interest rate (or no interest rate). Part of the debt may be forgiven incrementally for each year the buyer remains in the home.

Substitution

The appraisal principle that states that the maximum value of a property tends to be set by the cost of purchasing an equally desirable and valuable substitute property, assuming that no costly delay is encountered in making the substitution.

Subsurface Rights

Ownership rights in a parcel of real estate to the water, mineral, gas, oil and so forth that lie beneath the surface of the property.

Suit to Quiet Title

A court action intended to establish or settle the title to a particular property, especially when a cloud on the title exists.

Supply

The amount of goods available in the market to be sold at a given price. The term often is coupled with demand.

Surety Bail Bond

A pledge of real estate instead of cash as security for bail.

Surety Bond

An agreement by insurance or bonding company to be responsible for certain possible defaults, debts or obligations contracted for by an insured party, used to ensure that a particular project will be completed at a certain date or that a contract will be performed as stated.

Surface Rights

Ownership rights in a parcel of real estate that are limited to the surface of the property and do not include the air above it or the minerals below the surface.

Survey

A drawing or map showing the precise legal boundaries of a property, the location of improvements, easements, rights of way, encroachments, and other physical features.

Sweat Equity

Contribution to the construction or rehabilitation of a property in the form of labor or services rather than cash.

Syndicate

A combination of people or firms formed to accomplish a business venture of mutual interest by pooling resources. In a real estate investment syndicate, the parties own and/or develop property with the main profit generally arising from the sale of the property.

Tacking

Adding or combining successive periods of continuous occupation of real property possessors.

Tax Basis

The amount on which future gain is measured. Also the amount of remaining depreciation.

Tax Credit

An amount by which tax owed is reduced directly.

Tax Levy

See Levy.

Tax Lien

A charge against property created by operation of law. Tax liens and assessments take priority over all other liens.

Tax Rate

The rate at which real property is taxed in a tax district or county.

Tax Sale

A court ordered sale of real property to raise money to cover delinquent taxes.

Tax Shelter

A legal means by which an investor may reduce or defer payment of part of his or her income tax.

Tenancy At Sufferance

The tenancy of a lessee who lawfully comes into possession of a landlord's real estate but who continues to occupy the premises improperly after his or her lease rights have expired.

Tenancy At Will

An estate that gives the lessee the right to possession until the estate is terminated by either party, the term of this estate is indefinite.

Tenancy By The Entirety

A type of joint tenancy of property that provides right of survivorship and is available only to a husband and wife. Contrast with tenancy in common.

Tenancy In Common

A type of joint tenancy in a property without right of survivorship. Contrast with tenancy by the entirety and with joint tenancy.

Tenant

One who holds or possesses lands or tenements by any kind of right or title.

Tenant-Stockholder

The obligee for a cooperative share loan, who is both a stockholder in a cooperative corporation and a tenant of the unit under a proprietary lease or occupancy agreement.

Term Loan

See Interest Only Loan.

Testate

Having made and left a valid will.

Testator

A person who makes a last will and testament.

Texas Deceptive Trade Practices, Consumer Protection Act (DTPA)

Makes it illegal to use false, misleading, or deceptive acts or practices in the advertising, offering for sale, selling or leasing of any real or personal property.

Texas Department of Housing and Community Affairs

A Texas governmental agency that has financing programs to help low income and moderate income families acquire housing.

Texas Fair Housing Act

A substantially equivalent fair housing law that allows complaints to be heard by the Texas Commission on Human Rights or in state courts.

Texas Real Estate Broker-Lawyer Committee

A committee that drafts and revises standard contract forms to be used by real estate licensees.

Texas Real Estate Commission (TREC)

A group of people appointed by the governor to set policy in implementing the License Act.

Texas Real Estate License Act

The statute that controls the licensing of persons permitted to practice real estate brokerage in Texas.

Texas Residential Construction commission (TRCC)

A state agency that oversees builder/remodeler registration and dispute resolution related to new home construction defects.

Texas Veterans Home Improvement Program

This program assists Texas veterans in the repair and improvement of their principal residence by providing low-interest home improvement loans.

Texas Veterans land Board (VLB)

Created in 1946 to administer a program to provide low-interest, long term loans to Texas veterans for the purchase of land (the Land Program)

Texas Veterans Land Program

Established to assist Texas veterans to buy land with a small down payment, long-term mortgages and low interest rates.

Texas Workforce Commission civil Rights Division

The organization authorized to receive, investigate and seek to conciliate complaints of violations of the Texas Fair Housing Act.

Time Is Of The Essence

A phrase in a contract that requires the strict performance of a certain act within a stated time frame.

Third-Party Origination

A process by which a lender uses another party to completely or partially originate, process, underwrite, close, fund, or package the mortgages it plans to deliver to the secondary mortgage market. See mortgage broker.

Title

A legal document evidencing a person's right to or ownership of a property.

Title Commitment

A statement of the terms and conditions on which a title insurance underwriter is willing to issue a title insurance policy.

Title Company

A company that specializes in examining and insuring titles to real estate.

Title Insurance

Insurance that protects the lender (lender's policy) or the buyer (owner's policy) against loss arising from disputes over ownership of a property.

Title Search

A check of the title records to ensure that the seller is the legal owner of the property and that there are no liens or other claims outstanding.

Title Theory

Some states interpretation of a mortgage to mean that the lender is the owner of mortgaged land. On full payment of the mortgage debt, the borrower becomes the landowner. It is not recognized in Texas.

Total Expense Ratio

Total obligations as a percentage of gross monthly income. The total expense ratio includes monthly housing expenses plus other monthly debts.

Township Line

Lines running at six-mile intervals parallel to the base lines in the rectangular survey system, not used in Texas.

Township Square

The principle unit of the rectangular survey system. A township is a square with six-mile sides and an area of 36 square miles, not used in Texas.

Township Tier

A strip of land running east and west in the government survey system, not used in Texas

Trade Equity

Equity that results from a property purchaser giving his or her existing property (or an asset other than real estate) as trade as all or part of the down payment for the property that is being purchased.

Trade Fixture

Article installed by a tenant under the terms of a lease and removable by the tenant before the lease expires. These remain personal property and are not true fixtures.

Transfer Of Ownership

Any means by which the ownership of a property changes hands. Lenders consider all of the following situations to be a transfer of ownership: the purchase of a property "subject to" the mortgage, the assumption of the mortgage debt by the property purchaser, and any exchange of possession of the property under a land sales contract or any other land trust device. In cases in which an inter vivos revocable trust is the borrower, lenders also consider any transfer of a beneficial interest in the trust to be a transfer of ownership.

Transfer Tax

State or local tax payable when title passes from one owner to another.

Treasury Index

An index that is used to determine interest rate changes for certain adjustable-rate mortgage (ARM) plans. It is based on the results of auctions that the U.S. Treasury holds for its Treasury bills and securities or is derived from the U.S. Treasury's daily yield curve, which is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. See adjustable-rate mortgage (ARM).

TREC

See Texas Real Estate Commission

Trigger Terms

Specific credit terms such as down payment, monthly payment, the amount of finance charges, or the term of the loan, which, if included in an advertisement, trigger full disclosure of all financing terms under Regulation Z.

Trust

A fiduciary arrangement whereby property is conveyed by a trustor to a person or institution, called a trustee, to be held and administered on behalf of another person, called a beneficiary.

Trust Deed

A deed of trust.

Trustee

A fiduciary who holds or controls property for the benefit of another.

Trustee's Deed

A deed executed by a trustee conveying land held in a trust.

Trustor

See Trust.

Truth-in-Lending

A federal law that requires lenders to fully disclose, in writing, the terms and conditions of a mortgage, including the annual percentage rate (APR) and other charges.

Two-Step Mortgage

An adjustable-rate mortgage (ARM) that has one interest rate for the first five or seven years of its mortgage term and a different interest rate for the remainder of the amortization term.

Two- To Four-Family Property

A property that consists of a structure that provides living space (dwelling units) for two to four families, although ownership of the structure is evidenced by a single deed.

Underwriting

The process of evaluating a loan application to determine the risk involved for the lender. Underwriting involves an analysis of the borrower's creditworthiness and the quality of the property itself.

Undivided Interest

See Tenancy In Common.

Unenforceable Contract

A contract that has all the elements of a valid contract, yet neither party can sue the other to force performance of it. For example, an unsigned contract is generally unenforceable.

Uniform Commercial Code

A codification of commercial law that attempts to make uniform all laws relating to commercial transactions, including chattel mortgages and bulk transfers. Security interests in chattels are created by an instrument known as a security agreement. To give notice of the security interest a financing statement must be recorded.

Uniform Settlement Statement

A closing cost statement required by RESPA for the closing of certain real estate transactions, the HUD-1 form.

Unilateral Contract

A one-sided contract wherein one party makes a promise in order to induce a second party to do something. The second party is not legally bound to perform, however, if the second party does comply, the first party is obligated to keep the promise.

Unity of Ownership

The four unities that traditionally are needed to create a joint tenancy, unity of title, time, interest and possession.

Unsecured Loan

A loan that is not backed by collateral

Useful Life

A period of time which an asset such as a building is expected to remain economically feasible to the owner.

Usury

Charging interest at a rate higher than the maximum rate established by state law.

VA Mortgage

A mortgage that is guaranteed by the Department of Veterans Affairs (VA). Also known as a government mortgage.

Valid Contract

A contract that complies with all the essentials of a contract and is binding and enforceable to all parties to it.

Vara

In Texas, a measurement of length, one vara is 33 1/3 inches.

Variable Rate Mortgage

A mortgage loan in which the interest rate may increase or decrease at specified intervals within certain limits, based on an economic indicator or index.

Variance

A waiver from compliance with a specific provision of the zoning ordinance, for the benefit of one parcel of property only.

Vendee

A buyer

Vendee's Lien

A buyer's claim against a seller's property when the seller has not delivered title to the buyer as in an installment contract or a contract for deed.

Vendor

A seller.

Vendor's Lien

The equitable lien of the grantor upon the land conveyed, in the amount of the unpaid purchase price.

Vested

Having the right to use a portion of a fund such as an individual retirement fund. For example, individuals who are 100 percent vested can withdraw all of the funds that are set aside for them in a retirement fund. However, taxes may be due on any funds that are actually withdrawn.

Department of Veterans Affairs (VA)

An agency of the federal government that guarantees residential mortgages made to eligible veterans of the military services. The guarantee protects the lender against loss and thus encourages lenders to make mortgages to veterans.

Voidable Contract

A contract that seems to be valid on the surface but may be rejected or disaffirmed by one or both parties.

Void Contract

A contract that has no legal force or effect because it does not meet the essential elements of a contract and therefore is not a contract.

Voluntary Alienation

See Alienation.

Voluntary Lien

A lien that arises because of actions permitted by a person, such as when signing a deed of trust or mortgage.

Wage Lien

A lien ordered by the Texas Workforce Commission against all real and personal property of an employer who owes back wages to an employee.

Warehousing Agency

An agency that purchases a number of mortgage loans and assembles them into one or more packages of loans for resale to investors. Fannie Mae, Freddie Mac and Ginnie Mae are all warehousing agencies.

Warranty Clause

The part of a deed in which the seller warrants the title conveyed to the buyer.

Warranty Deed

See General Warranty Deed.

What-if Analysis

An affordability analysis that is based on a what-if scenario. A what-if analysis is useful if you do not have complete data or if you want to explore the effect of various changes to your income, liabilities, or available funds or to the qualifying ratios or down payment expenses that are used in the analysis.

What-if Scenario

A change in the amounts that is used as the basis of an affordability analysis. A what-if scenario can include changes to monthly income, debts, or down payment funds or to the qualifying ratios or down payment expenses that are used in the analysis. You can use a what-if scenario to explore different ways to improve your ability to afford a house.

Will

A document providing for the transfer of title to property owned by the deceased, called the testator.

Workers Compensation Insurance

Insurance carried by an employer to provide medical care and a portion of lost wages to an employee who has a work related illness or injury.

Wraparound Mortgage

A mortgage that includes the remaining balance on an existing first mortgage plus an additional amount requested by the mortgagor. Full payments on both mortgages are made to the wraparound mortgagee, who then forwards the payments on the first mortgage to the first mortgagee.

Writ Of Execution

A court order that authorizes and directs the sheriff to sell property of a defendant to satisfy a judgment.

Writ Of Possession

A court order authorizing a sheriff to return leased premises to the owner following an eviction suit, pursuant to a judgment of possession.

Zero Lot Line

A term generally used to describe the positioning of a structure on a lot so that one side rests directly on the lot's boundary line. Where allowed by zoning a zero lot line is used for garden homes.

Zoning Board Of Judgment

Group established to hear complaints about the effects of zoning ordinances on specific parcels of property.

Zoning Ordinance

An exercise of police power by a municipality to regulate and control the character and use of property.