

Important Terms & Key Players

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ACCEPTANCE

Agreeing to the terms of an offer, thereby creating a contract. As soon as the seller signs on to your purchase offer, you're in contract for the sale of the house.

APPRAISAL

The determination of the value of the house you plan to buy. A professional appraiser (a qualified, neutral specialist with expertise in the local geographic area) makes an estimate by examining the property, looking at the initial purchase price, and comparing it with recent sales of similar property. Your bank or other lender will require the appraisal in order to ascertain the worth of the house for lending purposes.

APPRECIATION

An increase in the value or worth of your home caused by external economic factors occurring over time, rather than by the owner having made improvements or additions.

CLOSING COSTS

All settlement or transaction charges (above and beyond the actual cost of the property) that home buyers (or sellers, depending on tradition in your area and what you negotiate with the seller) need to pay at the close of escrow when the property is transferred. These typically include lender's fees and points or prepaid interest, a prorated share of the property taxes, transfer taxes, credit check fees, homeowners' and title insurance premiums, deed filing fees, real estate agent commissions, inspection and appraisal fees, and attorneys' fees.

DEPRECIATION

The gradual loss of value of property that occurs through external economic conditions, the property's age, natural wear and tear, or deterioration.

EARNEST MONEY

A partial payment (deposit) demonstrating commitment in a contractual relationship, and commonly made in real estate transactions at the time of making the purchase offer. The remainder of the payment is due on the closing date. The seller keeps the earnest money if the buyer fails to make timely payment in full (or if there is a similar breach of the agreement).

ESCROW

The holding of funds or documents by a neutral third party prior to closing a home sale.

FHA (FEDERAL HOUSING AUTHORITY) LOAN

A loan backed by the US Federal Housing Administration insurance that is provided by an FHA-approved lender. FHA insured loans are a type of federal assistance.

HOME INSURANCE

A policy that protects against theft, structural damage, and natural disasters. Can be bundled with your other insurance policies, such as car insurance.

HOME WARRANTY

A contract between the home buyer and a service provider that covers repair and replacement costs for the major systems and appliances in your home.

MORTGAGE BROKER

A mortgage broker is an intermediary who brings mortgage borrowers and mortgage lenders together but does not use its own funds to originate mortgages. The broker will collect information from the borrower and go to multiple lenders in order to find the best potential loan for their client.

PMI (PRIVATE MORTGAGE INSURANCE)

Insurance that reimburses a mortgage lender if the buyer defaults on the loan and the foreclosure sale price is less than the amount owed the lender (the mortgage plus the costs of the sale). A home buyer who makes less than a 20% down payment will most likely have to purchase private mortgage insurance, commonly referred to as PMI.

TITLE COMPANY

A title company is responsible for verifying the legitimacy of the title to the property, and transferring the property rights from the seller to the buyer. They will provide title insurance to protect the buyer. They are also usually responsible for conducting the closing.