

# Glossary of Real Estate Terminology

**ABANDONMENT:**

Abandonment occurs when a person with a right or interest in a property voluntarily gives up that right or interest, either by physically "abandoning" the property or by showing the intention to give up the right or interest.

**ABATEMENT:**

A decrease or reduction in the price of a property (or in rent chargeable to a tenant). Usually occurs as a result of a negative fact being discovered about the property which decreases its value from the price originally agreed upon by the parties.

**ABLE:**

Quite literally and simply, being capable. A Purchaser is ready, willing and able to complete a transaction when he/she has funds and has signed the documents required to transfer title to a property. If the Vendor is not ready, willing and able to complete the transaction on the date set for completion, the Purchaser may tender upon the Vendor and sue as a result of the failure to complete the transaction.

**ABSENTEE OWNER:**

An owner of a property who lives elsewhere, leaving tenants in control and with occupation of the property.

**ABSORPTION RATE:**

Expressed as a percentage, the number of properties that can be bought or sold in a particular market. May also be broken down as to types and sizes of properties.

**ABSTRACT OF TITLE:**

A summary listing of the documents registered in the local land registry office and which affect title (ownership) of a particular property.

**ABSTRACT PLANT:**

See *Title Plant*.

**ABSTRACTION (EXTRACTION) METHOD:**

A method by which the value of land may be established. Uses comparable, improved properties and establishes a ratio of their original land value to their value after they have been developed.

**ABUT:**

Adjoin or share a common boundary, or share even a small portion of a boundary.

**ACCELERATED DEPRECIATION:**

Depreciation is the reduction of the value of a property as a result of the passing of time (i.e. a new car may be worth \$20,000.00 but only \$18,000.00 after one year, \$16,000.00 after two years etc.). Usually used for tax purposes, the depreciation in the value of a property may be used as a tax deduction. If a property loses its value quickly, this depreciation rate may be accelerated so that most of the value is lost in the first few years and then the depreciation rate decreases later in the property's life span. This is also known as "Writing down" the value of a property.

**ACCELERATION CLAUSE:**

A clause in a mortgage or loan that is in place to protect the lender if the borrower fails to live up to his/her obligations under the mortgage. The lender has the legal right to demand that the full principal of the mortgage may become due and payable immediately upon the failure.

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**ACCEPTANCE:**

A positive response to an offer or a counter-offer that creates a binding agreement between the parties. Acceptance may be conditional upon the occurrence of certain events.

**ACCESS:**

The right to enter a property. Access may be restricted to certain times, to certain persons and to certain purposes (i.e. access for the purpose of inspection).

**ACCESSIBILITY:**

The ease with which one can reach a certain place, person or thing. A property may be inaccessible because it is located far back along a winding, mountainous road that is often blocked in winter. A property may also be said to have good accessibility to highways, shopping, schools, etc.

**ACCESSORY BUILDING:**

A structure on a property that serves a specific purpose, complementing the home or main building. A garage or storage shed is an example of an accessory building.

**ACCREDITED ASSESSMENT EVALUATOR (AAE):**

A professional designation. A property evaluator who has achieved the requirements of the International Association of Assessing Officers.

**ACCREDITED LAND CONSULTANT (ALC):**

A professional designation. A person who has met the requirements of the Realtors Land Institute to aid in the marketing of real property.

**ACCREDITED RESIDENTIAL MANAGER (ARM):**

A professional designation for a person trained to manage residential properties. A person who has earned the designation by fulfilling the requirements of the Institute of Real Estate Management (IREM), which is an affiliate of the National Association of Realtors.

**ACCRETION:**

The growth in size of a parcel of land as a result of the actions of such natural forces as wind or water.

**ACCRUED:**

An adjective describing something that has come into existence but has not yet been claimed by or distributed to its rightful owner.

**ACCRUED DEPRECIATION:**

From a tax standpoint, the amount of value of a property which has already accumulated (but has not been claimed) as a result of the decrease in the value of that property due to the passage of time and the use of the property.

**ACCRUED INTEREST:**

Interest which has already been earned but has not yet been paid.

**ACKNOWLEDGEMENT:**

A statement by a person that they are aware of a certain fact. May also be a sworn document to the same effect, which further states that the person signing the document did so voluntarily.

**ACQUISITION:**

The process of taking title to or ownership of something.

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**ACQUISITION COST:**

The cost to the purchaser of obtaining title to anything, including real property. Acquisition cost includes the cost of the transaction of obtaining title, including legal fees and expenses, interest charges on mortgages, land transfer tax, etc.

**ACRE:**

An imperial measure for land. Equals 43,560 square feet; 4,047 square meters; or 0.047 hectares.

**ACT OF GOD:**

When used in insurance policies, an event caused by natural forces such as rain, lightning, floods or earthquakes which results in damage to property.

**ACTION TO QUIET TITLE:**

A legal proceeding begun for the purpose of settling competing claims to property and establishing clear legal title in one party.

**ACTUAL AGE:**

As opposed to effective age. The objective age in years of a building measured simply by the passage of time since it was constructed. Effective age is a subjective measurement of the condition of a building, influenced mostly by the maintenance and upkeep carried out on the building over the years.

**ACTUAL AUTHORITY:**

With reference to an agent or representative. The limits of the power the agent or representative has to bind her principal to an agreement or to a statement.

**ACTUAL CASH VALUE:**

An insurance term. The value of a building calculated by subtracting the decrease in value caused by age and wear and tear from the cost of replacing the building entirely.

**ACTUAL DAMAGES:**

An award of the court to compensate an injured party for losses incurred as a result of the actions or omissions of another party.

**ACTUAL EVICTION:**

Wrongful removal of a tenant from possession of a premises, usually by a landlord, contrary to the terms of the lease.

**ACTUAL POSSESSION:**

As opposed to constructive possession. When the owner of a property occupies the property on a day-to-day basis. Constructive possession is when the owner takes actions to establish and maintain his ownership of a property without actually occupying it himself (i.e. leasing it to tenants, removing squatters, hiring a security firm).

**AD VALOREM:**

Latin meaning "according to value." Taxes that are said to be ad valorem are assessed according to the value of the property.

**ADC LOAN:**

A loan that finances the three major phases of a land development project: (i) acquisition, (ii) development and (iii) construction.

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**ADDENDUM:**

An addition to a document that forms part of it. Similar to a Schedule to an Agreement of Purchase and Sale. May be used to add specific and detailed information material to the contract or upon which contractual terms are based.

**ADDITIONAL PRINCIPAL PAYMENT:**

A one-time or lump-sum payment made by a borrower in addition to the regular payments on a loan or mortgage which reduces the principal owing on the debt.

**ADEQUATE PUBLIC FACILITIES ORDINANCE:**

An ordinance by the local level of government controlling development by requiring that infrastructure works (roads, sewers, hydro lines) be completed prior to or concurrent with the building of dwellings or commercial buildings in a new development.

**ADJACENT LAND:**

An inexact term used to describe any property which is situated near or abutting a certain piece of property. Note: an abutting property will always be adjacent but an adjacent property may not be abutting.

**ADJUSTABLE RATE MORTGAGE (ARM):**

Also known as a Variable Rate Mortgage, a loan secured against land which has an interest rate that changes according to some outside index -- such as the federal prime rate or the interest rate paid on government bonds -- over the term of the mortgage. The change in interest rate will result in a change in the periodic payments due under the mortgage.

**ADJUSTED COST BASE:**

For the purposes of determining capital gains or losses. The acquisition cost of a property, plus the cost of any improvements to the property.

**ADJUSTED SALES PRICE:**

The result of estimating the value of a property by comparison to comparable properties. Take the actual sale price of a property comparable to the subject property, then add the value of any extras which the subject property has but the comparable property did not, then subtract the value of any deficiencies in the subject property not shared by the comparable property.

**ADJUSTMENT DATE:**

Mortgage term usually preceded by the word "Interest" (i.e. "Interest Adjustment Date"). The date soon after the completion of a purchase and mortgage transaction on which the borrower must make a payment of accumulated interest only, usually used to place the periodic payment dates for the mortgage at the first day of the month (i.e. you borrow on March 18, your interest adjustment date is April 1 and your first regular monthly payment is May 1).

**ADJUSTMENT INTERVAL:**

Also known as Adjustment Period. The period of time (i.e. week, month, year) between changes in the interest rate charged on a adjustable-rate mortgage.

**ADJUSTMENT PERIOD:**

See Adjustment Interval.

**ADJUSTMENTS:**

In real estate sales, the changes made to the selling price to account for the advantages and disadvantages of the subject property, market conditions, etc. When closing a real estate transaction, the changes to the purchase price made as a result of realty taxes over- or under-paid by the Vendor, fuel oil provided, tenant's rental payments, etc. (Contained on the Statement of Adjustments).

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**ADMINISTRATOR:**

A person appointed by a Court to deal with the estate of a deceased person who died without leaving a will (who dies "intestate"). Note: An executor is a person who is named in a will to deal with the estate of a deceased person.

**ADVANCE:**

Verb: to deliver a portion of money borrowed under a mortgage or loan before the loan instrument requires the money to be delivered. Noun: the money so delivered.

**ADVERSE POSSESSION:**

A method of acquiring or claiming title (ownership) to a piece of land owned by another by occupying it in defiance of the other's title. Most jurisdictions have statutes that set out a certain period of time throughout which the person claiming adverse possession must occupy the land before title passes to that person by operation of law.

**AESTHETIC VALUE:**

A subjective element in the overall market value of a property created by the physical presentation of the land or buildings.

**AFFIANT:**

One who swears an affidavit.

**AFFIDAVIT:**

A sworn statement setting out facts which the affiant states are true. Sworn before a Commissioner for swearing Oaths, Notary Public or other public official.

**AFFIDAVIT OF TITLE:**

A Vendor's statement to the effect that title is good and marketable and subject to no defects other than those set out in the Agreement of Purchase and Sale or the Vendor's Deed.

**AFFIRMATION:**

Instead of a sworn oath, a solemn and formal declaration regarding the truth of a statement of facts. Often used when a person's religious convictions preclude swearing an oath.

**AFFIRMATIVE FAIR HOUSING MARKETING PLAN:**

In an initiative sponsored by the Department of Housing and Urban Development (HUD) to foster integration of races in new housing projects, such a Plan is required before a project becomes eligible for certain U.S. programs.

**AFTER-TAX CASH FLOW:**

The net proceeds from an income-producing property, after all costs (taxes, mortgage interest, maintenance costs etc.) of owning and operating the property have been deducted.

**AFTER-TAX PROCEEDS FROM RESALE:**

The net proceeds from the sale of a property. The sale price minus legal fees and expenses, realty commission, any taxes paid, mortgage payout etc.

**AGENCY:**

The relationship between a person (the Principal) and another person (the Agent) who was appointed, selected, empowered, given authority by the Principal to represent the interests of the Principal in dealings with third parties and to bind the Principal to statements, warranties or contracts.

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**AGENCY BY ESTOPPEL (OSTENSIBLE AGENCY):**

An agency relationship created by the actions, behavior or statements of the Principal and/or the Agent upon which a third party relies. Ostensible Agency may be found by a court where no agency relationship was intended by the Principal.

**AGENCY BY NECESSITY:**

An agency relationship where the authority to represent is imputed to the Agent as a result of an emergency situation to protect the interests of the Principal.

**AGENCY BY RATIFICATION:**

An agency relationship which is created after the fact when the Principal agrees to be bound by the actions of another person who was acting without authority.

**AGENT:**

A person empowered by a Principal to act on behalf of the Principal in dealings with third parties. The third party is entitled to rely upon the agreement, assurances or statements of the Agent as being binding on the Principal.

**AGREEMENT OF SALE:**

Also known as Purchase Agreement, Agreement of Purchase and Sale, Land Agreement etc. A legal contract in which one party agrees to buy and another agrees to sell a property or chattel. Contains terms and conditions of the transaction and is signed by the parties.

**AGREEMENT:**

A legally binding contract between two or more people, representing a meeting of minds on one or more issues.

**AGRICULTURAL PROPERTY:**

Land zoned for agricultural or farming activities.

**AIR RIGHTS:**

A saleable commodity, the right to occupy or use the air space above a specific property.

**ALIENATION CLAUSE:**

A term of a mortgage which allows the creditor to demand payment in full of principal and interest due upon the sale of the property.

**ALLOCATION (ABSTRACTION) METHOD:**

Estimating the value of land only by deducting the value of the buildings etc. on the land from the actual market value of the property as a whole.

**ALLODIAL SYSTEM:**

The system of ownership of property in the United States, meaning free from any claims or rights of a monarch or a feudal lord.

**ALTERATION:**

A change made to an executed contract which has not been approved by the parties to the contract. An alteration may constitute fraud if it has the impact of significantly affecting the rights of a party to the contract and was intentionally carried out by another party. If fraud is found, the innocent party may void the contract.

**AMENITIES:**

Positive features of a particular property (such as a pool, central air conditioning, etc.) or attractions located near a particular property (highways, school, shopping, etc.) which have the effect of enhancing the property's value.

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**AMERICAN LAND TITLE ASSOCIATION (ALTA):**

Trade association of American title insurance companies, with a view to standardizing the policies nationwide.

**AMERICAN RURAL APPRAISER:**

A Professional Designation. Awarded by the American Society of Farm Managers and Rural Appraisers.

**AMERICAN SOCIETY OF APPRAISERS:**

A Professional Society, for persons involved in the appraisal of both real and personal property.

**AMERICAN SOCIETY OF HOME INSPECTORS, INC. (ASHI):**

A Professional Trade Organization, for persons specializing in the inspection of the physical condition of homes.

**AMERICAN SOCIETY OF REAL ESTATE COUNSELORS (ASREC):**

A Professional Society, for persons specializing in helping people buy and sell homes.

**AMORTIZATION:**

The preparation of a payment plan for a loan which allows for equal payments to be made to the creditor at consistent intervals over the life of the loan (the amortization period). Each payment covers interest accrued over the interval period with the remainder of the payment being applied to reduce the principal owed. If every payment is made on time and in full over the amortization period, the loan will be completely repaid at the end of the amortization period.

**AMORTIZATION SCHEDULE:**

The printed table of the payments to be made on an amortized loan showing the date and amount of each payment, the amount of each payment which will be applied to interest and to principal and the balance of principal still outstanding on the loan after the payment is made.

**ANACONDA MORTGAGE:**

A specific kind of mortgage. Contains a clause that states that it secures all debts owed to the mortgagee by the mortgagor and applies to rules of the mortgage to all such debts. Clause is also known as a Mother Hubbard clause.

**ANCHOR TENANT:**

Description of a tenant in a shopping mall or center. A "name" store that will draw shoppers to the mall and, therefore, benefit the other mall stores. Usually receives a favorable lease.

**ANNUAL DEBT SERVICE:**

The total amount required to service a loan in a given year.

**ANNUAL LOAN CONSTANT:**

Ratio of Annual Debt Service to original principal of the loan. Also known as a mortgage constant.

**ANNUAL MORTGAGOR STATEMENT:**

Document sent by the lender to the mortgagor each year which sets out amounts paid for principal, interest and taxes in the given year and the amount still owing on the principal of the mortgage at the end of the year.

**ANNUAL PERCENTAGE RATE (A.P.R.):**

A rate designed to allow for the comparison of one type of loan to another. The annual cost of borrowing under a given form of loan (includes in the calculation compounded interest, cost of borrowing etc.). Required to be disclosed by the lender under the American Truth in Lending Act, Regulation Z.

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**ANNUITY IN ADVANCE:**

A form of periodic payment. Payments are made at the beginning of each payment period rather than at the end of each period, as with a normal annuity.

**ANNUITY:**

A form of periodic payment. Made to the recipient at consistent periodic intervals either for life or for a fixed period of time.

**ANTICIPATION, PRINCIPAL OF:**

An approach to assessing the future value of land based on possible contingencies (positive or negative).

**ANTITRUST LAWS:**

Laws requiring competition and a free market, outlawing monopolies in certain businesses.

**AO (ACCEPTED OFFER):**

A short form used by agents to designate that an offer to purchase has been accepted by the offeree.

**APPARENT AUTHORITY:**

Where an agent compels, by actions, omissions or statements, a third party to believe the agent has the authority to bind a principal. The authority to bind is apparent due to the behavior of the agent but may not actually exist.

**APPLICATION:**

A form filled out in order to allow a lender to consider a person for a mortgage or loan. Will contain personal and financial and personal information on the applicant.

**APPLICATION FEE:**

The fees the lender charges the applicant. May include costs of a property appraisal and a credit report on the applicant. May be payable by applicant even if loan is not approved.

**APPOINTMENTS:**

Chattels or decorative touches that may affect the value of a property.

**APPORTIONMENT CLAUSE:**

A clause in a policy of insurance. Allows the payment of compensation for a loss to be divided between insurers holding different policies on the same property.

**APPORTIONMENT:**

Also known as adjustment. The division of responsibility for certain costs between the parties to a transaction, such as realty taxes. In many U.S. jurisdictions, the vendor is responsible for the day of closing and all days prior to it.

**APPRAISAL:**

An estimation of the value of a property on a certain date given by a qualified person, usually after an inspection of the property.

**APPRAISAL PRINCIPLES:**

Elements to be considered by an appraiser in appraising the value of a property, such as competition, supply and demand.

**APPRAISAL PROCESS:**

A standardized approach to appraising a property, to allow for accuracy and consistency.

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**APPRAISAL REPORT:**

Documentation to support an appraisal of a property. Varies in length but sets out elements considered, positive and negative aspects of property etc.

**APPRAISED VALUE:**

The estimated market value of a property on a given date, given by a qualified person as a result of an inspection of the property and a consideration of other market forces.

**APPRAISER:**

A professional who has been trained to assess the value of property.

**APPRECIATION:**

The increase over time in the value of a property caused by many factors: market conditions, inflation, changes to area around the property, etc.

**APPROACHES TO VALUE:**

Different methods by which appraisers estimate the value of a property. Include: (1) cost approach, (2) comparison approach, and (3) income approach.

**APPROVED ATTORNEY:**

A lawyer who meets the requirements of title insurance companies to be able to complete transactions involving title insurance and to render title opinions.

**APPURTENANCE:**

A right or entitlement which forms part of the ownership of a property and which passes to a new owner when title passes (i.e. an easement or right of way over another property).

**ARBITRATION:**

An Alternative Dispute Resolution method. Allows an objective third party to settle disputes between parties without resorting to court. Binding arbitration involves the parties agreeing to be bound by the decision of the arbitrator.

**"ARM'S LENGTH" TRANSACTION:**

A colloquial description of a transaction where none of the parties are related to each other or have common interests -- they have each other at "arm's length". An arms-length transaction is generally at fair market value; in a "non-arm's-length" transaction, the relationship between the parties may cause one or the other to accept less than they are entitled or pay more than fair market value.

**ARREARS:**

Money which is not paid when due, under a payment plan or amortization schedule. Could lead to enforcement of loan agreement by lender

**ARTERIAL STREET:**

A main thorough fare or through road, one which is designed to carry traffic through an area where that area is not the destination of the traffic.

**ARTIFICIAL PERSON:**

As opposed to a natural person. A corporation or other legal entity which has at least some of the legal rights of a human being.

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**AS IS:**

Implied in most Agreements of Purchase and Sale, suggests the Purchaser is accepting the property in its current condition and releases the Vendor from any liability for problems found before or after closing.

**"AS-IS" AGREEMENT:**

A statement in the Agreement of Purchase and Sale that confirms that the Purchaser shall accept the property and all chattels included in the Purchase in the condition in which they are found at the time the Agreement is signed.

**ASKING PRICE:**

The price at which the Vendor advertises a property. When used in the advertisement, may suggest flexibility on the part of the Vendor regarding the price.

**ASSESSED VALUE:**

The value assigned to a given property by the municipality for the purpose of establishing realty taxes payable by the owner of the property.

**ASSESSMENT:**

Generally, the apportionment of liability of a general cost among individuals. The act of estimating the value of land for tax purposes or the method by which municipalities raise taxes (property tax assessment).

**ASSESSMENT BASE:**

The total of the assessed values of all properties in a municipality.

**ASSESSMENT RATIO:**

Assessed value as compared to full market value for a particular property or for all properties as set by the municipality.

**ASSESSMENT ROLL:**

Public record of the assessed values of properties. Also includes Assessment Roll Number for each property, the number by which the property is identified in the municipal records.

**ASSESSOR:**

A person who is employed by the municipality to estimate the value of properties for the purpose of taxes.

**ASSET:**

A thing of value.

**ASSIGN:**

To transfer interest in a property, contract, right etc..

**ASSIGNEE:**

The person to whom an interest is transferred. An assignee of an Agreement of Purchase and Sale may buy the property and enforce the contract in the same fashion as the original party.

**ASSIGNMENT:**

The transfer of any right, claim or interest to another person or corporation. Often used to refer to the transfer of a mortgage from one lender to another. Also a noun describing the document which represents the assignment of the right etc.

**Real Estate Glossary of Terms**

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**ASSIGNMENT OF LEASE:**

Subject to the terms of the lease, a transfer of either the lessor's or the lessee's interest in a lease.

**ASSIGNOR:**

The person who assigns a right or interest to another person.

**ASSOCIATE BROKER:**

A qualified real estate broker who works with or for another broker.

**ASSUMABLE MORTGAGE:**

A mortgage that can be taken over ("assumed") by the buyer when a home is sold. If interest rates have risen, an assumable mortgage at a low rate may prove a selling point for the property.

**ASSUMPTION CLAUSE:**

The paragraph in the mortgage which sets out the borrower's right to have the mortgage assumed by a purchaser.

**ASSUMPTION FEE:**

A charge levied by the lender (usually against the party assuming the mortgage) for the privilege of assuming a mortgage. May be a fixed amount or a percentage of outstanding principal on the mortgage at the time of the assumption.

**ASSUMPTION OF MORTGAGE:**

The agreement of a purchaser to take on personal liability for a mortgage already registered on title to the property and to make payments under the mortgage. Purchaser takes the place of the vendor in the contract with the lender.

**AT-RISK RULE:**

A limitation of the amount an investor can claim on his incomes taxes as a result of losses from real estate investments, under the Tax Reform Act of 1986.

**ATTACHED HOUSING:**

Duplex, triplex, row housing, or townhouses. Two or more dwellings that are attached physically but are owned and/or occupied by different people.

**ATTACHMENT:**

The binding by a court of a piece of property (real or personal) as security for a debt.

**ATTESTATION:**

A statement by a person who has witnessed another person signing a document to the effect that they did in fact witness the document. May include statements to the effect that the witness knew the person who signed personally, that the person who signed understood the contents of the document when he signed etc. Required in some states for deeds.

**ATTORNEY AT LAW:**

A person who has met the requirements to practice law in a particular state of the United States.

**ATTORNEY IN FACT:**

A person who holds a POWER OF ATTORNEY for another person, which gives the Attorney the power to act on behalf of that other person and bind that other person.

**ATTORNEY'S OPINION OF TITLE:**

A statement of a lawyer's conclusions with regard to the state of the legal title of a property, issued after the lawyer has completed the appropriate investigations of title.

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**ATTRACTIVE NUISANCE:**

"Attractive" refers to the response of children to a feature of land (whether natural or man-made) which has the potential to be harmful (an uncovered well, a swimming pool, a swift moving stream).

**AUCTION:**

The process of selling property to the highest bidder.

**AUCTIONEER:**

A professional (real estate broker or auctioneer, depending on local laws) who sells property at public auctions. Usually paid a percentage of the sale price.

**AUGMENTED ESTATE:**

The assets of a deceased person against which a surviving spouse may claim an interest. Can include property which the deceased person disposed of while still living if the disposal was in the form of a gift or was not for value.

**AUTHORITY:**

The right of an agent, conferred by his principal, to bind the principal in dealings with third parties. See actual authority, implied authority, apparent authority, ostensible authority, inherent authority.

**AUTHORIZATION TO SELL:**

A contract between an property owner and a real estate broker or agent which allows the broker to list the property for sale and which codifies the rights and obligations of the two parties.

**BACHELOR APARTMENT:**

A small rental dwelling unit which combines living and bedroom spaces into one room (and, sometimes, kitchen space as well). Also known as "efficiency suite" or "studio apartment".

**BACK END RATIO:**

A comparison of a borrower's monthly expenses to her gross monthly income used to assess her ability to carry a mortgage or other loan.

**BACK TITLE LETTER (OR CERTIFICATE):**

Notice by a Title Insurance Company to a person searching and certifying title that a previous search has been completed, setting out the status of title of the property as at a given date such that the person searching need only up-date the search.

**BACKUP CONTRACT:**

An Agreement of Purchase and Sale for a particular property which is conditional (becomes binding) upon the failure of another Agreement for the same property.

**BALANCE:**

Often as in "balance due", the amount of principal on a loan remaining to be paid at any given time.

**BALANCE SHEET:**

A table of figures showing the assets, liabilities and net worth of a person or corporation on a given date.

**BALLOON (LOAN) MORTGAGE:**

A loan which is repaid by a series of small, periodic payments until a given date, when either the balance comes due in a single, large payment or the amount of the payments rises significantly.

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**BALLOON PAYMENT:**

The single, large payment which pays out the balance due on a balloon mortgage.

**BANKRUPT:**

A noun or adjective. Noun - a person or business which has made an assignment in bankruptcy or has been petitioned into bankruptcy. Adjective - owing more money than you have assets or income to repay.

**BANKRUPTCY:**

The state of being unable to pay your debts such that you submit yourself to the protection of the state. A person or business may voluntarily assign himself into bankruptcy or may be petitioned into bankruptcy by his creditors. Once in bankruptcy, the person surrenders his assets to a trustee in bankruptcy who sells the assets for the benefit of the bankrupt's creditors, first secured creditors then unsecured creditors. Once a person is discharged from bankruptcy, none of his former creditors may pursue him for his former debts.

**BASE RENT:**

The set rent payable by a tenant under a lease, to which is added Additional rents as required by the lease (for common area maintenance, for example, or for utilities).

**BASIS POINT:**

One 100th of 1%.

**BEARER INSTRUMENT:**

A valuable document (a bond or other security) which does not bear the name of its legal owner; may be redeemed by whoever is in possession of it.

**BEDROOM COMMUNITY:**

A neighborhood or area which offers little in the way of employment opportunities but plenty of housing, similar to a "suburb" or commuter town.

**BEFORE-TAX CASH FLOW:**

Gross amount of money available for the use of the owner before taking into consideration taxes.

**BEFORE-TAX INCOME:**

A person or corporation's gross earnings before taxes are deducted.

**BELOW-MARKET INTEREST RATE (BMIR):**

A subsidized interest rate on a mortgage or loan, often provided by a government to allow for acquisition of property or reduction in rents charged to tenants.

**BENCHMARK:**

A permanent feature on land which is used as a point of reference for a land surveyor.

**BENEFICIARY:**

A person or corporate entity entitled to receive money or assets from a trust or an estate under a will.

**BEQUEATH:**

To leave an item of personal property to a certain person in a will (see "Devise", which refers to gifts of land in this context).

**BEQUEST:**

The item bequeathed under a will.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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803-831-0056 Office \* 803-831-0805 Fax

**BETTERMENT:**

The improvement of real estate that results in a rise in market value. Also, a legal concept of civil law: when a court award, judgment or order in favor of an injured party places that party in a better position than he would have been had his original injury never taken place.

**BIANNUAL:**

Or semiannual. Occurring every six months or twice per year.

**BID:**

An offer of a certain amount of consideration.

**BIENNIAL:**

Occurring once in every two years.

**BILATERAL CONTRACT:**

A contract which has a balance of consideration promised by the parties, where each promises performance of the contract.

**BI-LEVEL:**

A description of a house with two levels, where the main entrance to the house is between the two levels.

**BILL OF SALE:**

Documentary evidence that title to personal property (chattels) has passed to the Purchaser for valuable consideration.

**BINDER:**

1. A written commitment from an insurance company to insure a property or a certain risk;  
or
2. A preliminary agreement to purchase a property accompanied by a forfeitable deposit which is lost if the purchaser does not complete the purchase of the property.

**BIWEEKLY LOAN OR MORTGAGE:**

A loan which features payments equaling one half of the usual monthly payment made every two weeks (to total 26 in a year), thus substantially reducing the life of the mortgage and the interest payable over the life of the mortgage.

**BLANKET INSURANCE POLICY:**

A single insurance policy that applies to more than one person or property.

**BLANKET MORTGAGE:**

Where one loan is secured against more than one parcel of land.

**BLENDED RATE:**

Created when an old loan is refinanced and extended at an interest rate which is different from the original rate: the old debt is still payable at the old rate; the new debt is payable at the new rate; the total amount of the debt is payable at a rate of interest that is somewhere between the two rates.

**BLIGHTED AREA:**

An area of a community where the infrastructure and buildings have been allowed to decay.

**BLUEPRINT:**

Construction plans, containing great detail about the particular building.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**BOARD OF EQUALIZATION:**

United States government body with a mandate to assure uniform property tax assessments.

**BOILER PLATE:**

A standard clause or provision in a contract which appears in all similar contracts.

**BONA FIDE:**

Made in good faith, at fair market value, without deceit or fraud.

**BOND:**

1. A sum of money paid into court as an assurance of the performance of some requirement or as security for payment on a claim. May be used to allow for the removal of a claim for lien from a property while the court action over the lien continues.
2. An interest-bearing instrument.

**BORROWER (MORTGAGOR):**

The person or company that receives money from a lender (often a bank, credit union or trust company) in exchange for a written promise to pay and a registered lien on property.

**BOTTOMLAND:**

Low lying land, near a water course or in a valley or similar geographic contour.

**BOUNDARY:**

Edge or limit of a property. See "property line".

**BREACH (OF CONTRACT):**

A failure to meet one's obligations, whether under a contract or otherwise. A breach of contract allows the innocent party to enforce the contract, rescind the contract or sue for damages.

**BRIDGE FINANCING:**

Also known as a "swing loan", a loan used to fill a gap in financing, often between the purchase of a new home and the sale of the old one. If the purchase closes before the sale, the home owner needs to borrow enough money to pay for the new house for the period of time before the equity in his old house comes available as a result of the completion of the sale.

**BRITISH THERMAL UNIT (B.T.U.):**

A unit of heat or cooling. That required to change the temperature of a pound of water by one degree Fahrenheit.

**BROKER:**

An intermediary who brings parties together for specific purposes. A mortgage broker brings borrowers together with lenders; a real estate broker brings purchasers together with vendors. Often charges a percentage of the contract price as a fee. Specific training required to become a Real Estate Broker, a professional designation.

**BROWNSTONE, BRICK ROW HOUSE, OR EASTERN TOWNHOUSE**

A nineteenth-century-style row house, with up to five story's and a front stoop, verandah or porch leading up to the front door.

**BUDGET MORTGAGE:**

A mortgage in which the borrower is required to make periodic payments not only for interest and principal, but also for insurance premiums and realty tax installments.

**Real Estate Glossary of Terms**

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**BUFFER ZONE:**

An area of land specifically designed to separate one zoning use from another, such as separating a residential neighborhood from an industrial area.

**BUILD TO SUIT:**

An offer by a landowner to develop the land in a manner dictated by a potential tenant, in return for a long-term lease from the tenant for the developed land.

**BUILDER WARRANTY:**

An enforceable guarantee of the quality of construction given by a builder or developer.

**BUILDING CODE:**

Set of regulations established by a municipality to govern the standards of construction in that municipality.

**BUILDING LINE OR SETBACK:**

The minimum distance a building or other improvement may be constructed from a property line. May be established by agreements, title documents or municipal by-laws or ordinances.

**BUILDING PERMIT:**

A document obtained from the local government, allowing for the construction of a structure in accordance with the terms of the permit.

**BUILDING RESTRICTIONS:**

Limiting rules which may appear in building codes or in title documents which control the size, placement, materials, design or location of new construction.

**BUILT-INS:**

Items which could be chattels but which are installed so as to form part of a building.

**BUNGALOW:**

A small, one-storey home built in a turn of the century style, often with a prominent front verandah.

**BUSINESS DAY:**

A day in which normal business is transacted. Generally, Monday to Friday but not weekends or holidays.

**BUY-BACK AGREEMENT:**

A contract between a purchaser and vendor in which the vendor agrees to repurchase the property from the purchaser if a certain event occurs within a specified period of time. The buy-back price is usually set out in the agreement.

**BUY DOWN (ACCOUNT OR MORTGAGE):**

The payment of extra money on a loan now so as to reduce the interest rate over a given period or over the life of the loan. This extra payment may be made by the borrower, by the lender (as an incentive to the borrower to borrow from the lender) or by the vendor/builder (as an incentive to the borrower to buy a certain property).

**BUYER'S BROKER:**

A real estate broker who contracts to represent the interests of a person wishing to purchase a home. (see also "selling agent", "Purchaser's agent").

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**BUYER'S MARKET:**

A condition of the real estate market where there are more properties for sale than people interested in buying them. Buyer's have more choices and less competition for the available properties, resulting in lower prices.

**BUY-SELL AGREEMENT:**

A pact between partners in a business or shareholders in a company, obliging one to buy the other's interest (and obliging the other to sell) upon the occurrence of some event stated in the agreement.

**BY-LAWS:**

Rules enacted by a governing body of general application.

**CALIFORNIA BUNGALOW:**

Compact, early twentieth-century single-storey house.

**CALIFORNIA RANCH:**

One-storey house, in a post-Second-World-War style, known for its ground hugging design and low, pitched roof.

**CALL OPTION (PROVISIONS, RIGHTS):**

A lender's right to demand payment of the outstanding balance of the loan at a time specified in the loan agreement.

**CANCELLATION CLAUSE:**

Provision in a contract that gives one or more parties the right to terminate the contract if a specific event occurs.

**CAP:**

A limit. In variable rate mortgages, a limit as to how high periodic payments may go or how much the interest may change within a given time period or over the life of the mortgage.

**CAP RATE:**

Short form for capitalization rate.

**CAPACITY OF PARTIES:**

Legal competence to sign and be bound by a contract. One might lack capacity as a result of being a minor, being mentally challenged or not being of right mind. A contract signed by an incapable person is not binding.

**CAPE COD COLONIAL:**

A one-storey house, compact in design and in an early-American-style. Symmetrical layout with a central entrance. Steep, gable-type roof, usually shingled, with a low central chimney.

**CAPITAL ASSET:**

A property to which certain tax rules (capital gains and capital losses) apply.

**CAPITAL EXPENDITURE:**

Money spent to improve a property and enhance its value over an extended period of time (as opposed to a repair). May be added to the adjusted cost base of the property improved or depreciated over the useful life of the improvement.

**Real Estate Glossary of Terms**

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**CAPITAL GAIN:**

Increase in value of a capital property (a property other than a principal residence) upon which tax is payable, either upon disposition of the property or the deemed disposition of the property under tax rules.

**CAPITAL IMPROVEMENT:**

Value enhancing work carried out on a capital property.

**CAPITAL LOSS:**

Decrease in value of a capital property (a property other than a principal residence). May be set off against capital gains or against regular income according to the tax rules.

**CAPITAL:**

The working money in a business venture.

**CAPTURE RATE:**

A comparison of the sales or leasing rate of a particular real estate development to the sales or leasing rate of all developments in the same market.

**CARRYING CHARGES (COSTS):**

The expense required to maintain a property over a given period of time, including property taxes, maintenance, insurance payments, interest charges on financing, etc.

**CASH EQUIVALENT:**

The amount a vendor would have realized on the sale of a property had she not accepted unfavorable (or favorable) financing of the purchaser but received cash instead.

**CASH FLOW:**

Description of the net income from a property after all expenses of holding and carrying the property are paid.

**CASH METHOD:**

An accounting method, based on actual cash moving in and out of the company over a given period. See *accrual method*.

**CASH RESERVE:**

An amount of money that the purchaser of a property still has after the transaction closes. Some lenders require a certain level of cash reserve (equal to two payments) before granting a mortgage.

**CASH THROW-OFF:**

See *cash flow*.

**CASH-OUT REFINANCE:**

When an owner renegotiates or negotiates a new mortgage and the proceeds of the new financing exceed the money required to pay out the old mortgage and any other costs, liens or expenses, leaving money for the borrower.

**CAVEAT EMPTOR:**

Latin, meaning "Let the Buyer beware". Maxim which applies to real estate transactions where the onus is on the Purchaser to satisfy herself as to the suitability and condition of the property she is considering for purchase. Vendor is not responsible to the Purchaser for the condition of the property and, unless he is specifically asked, does not generally have an obligation to reveal problems to the Purchaser (except where the defect is hidden, serious and could not be discovered by the Purchaser after reasonably prudent inquiries and investigations).

**Real Estate Glossary of Terms**

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**CC&R'S:**

Short form for "covenants, conditions, and restrictions", which are the rules of general application governing the relations between land owners in a specific subdivision, development, condominium development or cooperative housing facility. May be registered on title.

**CEILING:**

The limit over which the interest rate on a variable rate mortgage may not rise over the life of the loan.

**CENTRAL BUSINESS DISTRICT (CBD):**

The business and commercial "core" of a municipality (also known as "Downtown").

**CERTIFICATE OF ELIGIBILITY:**

Document issued by the Department of Veteran's Affairs to qualifying veterans which entitles them to apply for subsidized or guaranteed loans.

**CERTIFICATE OF INSURANCE:**

A document, issued by the insurance company, setting out the particulars of the insurance coverage for a particular property.

**CERTIFICATE OF NO DEFENSE:**

Document which sets out a certain set of facts which the issuer is agreeing to be bound by. Same as *estoppel certificate*.

**CERTIFICATE OF OCCUPANCY:**

Document issued by the local municipality indicating that a new dwelling is suitable for occupation. Generally confirms that the dwelling complies with local building, safety and health by-laws.

**CERTIFICATE OF REASONABLE VALUE (CRV):**

Document issued by the Department of Veterans Affairs (VA). Based on an appraisal, sets out market value of a particular property for the purposes of establishing maximum principal amount available for a VA mortgage on the property.

**CERTIFICATE OF SATISFACTION:**

Document registered on title which provides evidence from the lender that a loan instrument (deed of trust, mortgage, other lien) has been paid out and released.

**CERTIFICATE OF TITLE:**

A written opinion of the quality of a person's ownership of property, issued by a lawyer or a title insurance company after a search of the title records has been conducted. May contain qualifications to the certification regarding defects found or potential defects not investigated.

**CERTIFICATE OF VETERAN STATUS:**

Document issued by Department of Veteran's Affairs confirming that the person named in the Certificate has served at least 90 days of continuous active duty (including training time) and is eligible for certain VA benefits (such as a VA mortgage).

**CERTIFIED COPY:**

A copy of a document which bears some form of declaration (usually by the holder of the original document) that it is a true copy of the original.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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803-831-0056 Office \* 803-831-0805 Fax

**CERTIFIED GENERAL APPRAISER:**

A person who has met the requirements to be licensed to appraise the value of property. Qualification requirements may vary from one jurisdiction to the next.

**CERTIFIED HOME INSPECTOR:**

A person who has met the requirements to be "certified" to inspect the physical condition of homes. Qualification requirements may vary from one jurisdiction to the next.

**CERTIFIED PROPERTY MANAGER (CPM):**

A person who has met the requirements of the Institute of Real-Estate Management.

**CERTIFIED RESIDENTIAL APPRAISER:**

A person who has met the requirements to be licensed to appraise the value of residential properties of no more than four units.

**CERTIFIED RESIDENTIAL BROKER (CRB):**

A person who has met the requirements of the Realtors National Marketing Institute.

**CERTIFIED RESIDENTIAL SPECIALIST (CRS):**

A person who has met the requirements of the Realtors National Marketing Institute.

**CESTUI QUE TRUST:**

The beneficiary of a trust, the person who is the beneficial/equitable owner of the property held in trust for which the trustee holds legal title.

**CHAIN OF TITLE:**

A part of a title search. A listing, in chronological order, of successive legal owners of a property, often listing as well the registration particulars of the document by which title is transferred from each owner to his successor in title.

**CHAIN:**

An old unit of measurement of land, measuring 66 feet in length. A chain equals 100 links, each 0.66 feet in length.

**CHANGE FREQUENCY:**

Term describing the period of time between changes in the interest rate and/or payments of a variable rate (adjustable rate) mortgage or loan (i.e. one week, one month etc.).

**CHATTEL:**

An item of personal property which is not affixed to the land or building (as opposed to a fixture, an item which is a part of the land or building). Chattels are generally not included in the sale of property unless specifically included in the Agreement of Purchase and Sale.

**CHATTEL MORTGAGE:**

A debt secured against items of personal property rather than against land, buildings and fixtures.

**CLEAR TITLE:**

Ownership of land which is marketable and free of competing claims, liens, mortgages or other encumbrances.

**CLAIM:**

A right asserted against another party. One might register a claim on title to the property to which the claim applies, file a claim under an insurance policy or file a Statement of Claim in court to assert one's rights.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**CLASS ACTION:**

A legal proceeding which presents the related or similar claims of an identifiable group against a single or group of defendants, usually by using one representative claimant to assert the claims on behalf of the group.

**CLIENT:**

Customer. The person who hires a professional (broker, banker, lawyer, investment counselor, etc.)

**CLOSED MORTGAGE:**

A land loan that cannot be prepaid or re-negotiated before the end of its term without the payment of an interest penalty.

**CLOSED-END MORTGAGE:**

A mortgage with a set principal amount which cannot be increased or extended during the life of the mortgage.

**CLOSING:**

The culmination of any transaction in which the interested parties (or their representatives) meet to exchange documents, funds, and property and, if necessary, to register the transfer of title.

**CLOSING COSTS:**

Moneys expended by a party in completing a transaction, over and above the purchase price, including: legal fees, taxes, mortgage application charges, interest adjustments, registration fees, appraisal fees, etc.

**CLOSING DATE:**

Also known as a Completion Date. The date set in the Agreement of Purchase and Sale upon which the transaction is to be completed, the purchase price paid and the transfer of title registered.

**CLOSING STATEMENT:**

Also known as HUD-1 statement. A document which sets out the financial agreement between the parties, the costs each must pay, and all other similar information regarding a transaction (may be joint or separate for each party).

**CLOUD (ON TITLE):**

Any unresolved claim against ownership of all or part of a property, affecting the owner's title to the property and marketability of that title.

**CLUSTER HOUSING:**

Development design which places attached dwelling in close proximity to each other, with nearby open spaces set out for common use of the dwelling owners.

**CODE OF ETHICS:**

A set of rules governing the behavior of members of the organization that has established the Code. Lawyers and real estate brokers/agents both have their own Codes.

**COINSURANCE:**

A technique used to share the risk of a larger development between several insurance companies, each company covering a certain percentage of the total value of the insured property. Each policy may include a clause setting a minimum percentage of the total value of the insured property which the owner must keep insured in order to be eligible for payment under the policy.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**COLD CANVASS:**

Also known as "Cold Call". Contacting home owners out of the blue to solicit business or, in the case of a real estate broker or agent, listings.

**COLLATERAL:**

Property (real or personal) which is pledged to secure a loan or mortgage. If the debt is not paid, the lender has the right to sell the collateral to recoup the outstanding principal and interest on the loan.

**COLLATERAL MORTGAGE:**

A loan which is secured by some sort of written note of indebtedness (such as a Promissory Note) which is secondarily secured by a mortgage registered against a property.

**COLLECTION:**

The act of pursuing a debtor who is delinquent on his loan payments.

**CO-MAKER:**

Also known as a "Guarantor". Someone who signs a loan document along with the principal borrower, pledging to be responsible for the loan should the borrower fail to pay it.

**COMMERCIAL BROKER:**

A real estate professional who deals in properties with commercial (business, retail, etc.) uses.

**COMMERCIAL PROPERTY:**

As opposed to residential or industrial property. Property zoned, designed or intended for use retail, office, or similar users.

**COMMINGLE:**

To allow to mix, as in money belonging to two or more people deposited to the same account and used by each person regardless of the amount they have deposited.

**COMMISSION:**

Payment to a salesperson (a listing real estate agent or broker) for her efforts in marketing and selling a property, usually expressed as a percentage of the purchase price.

**COMMISSION SPLIT:**

The division of the payment made to the listing agent between that agent and her broker, or between the listing agent and agent representing the Purchaser (the selling agent).

**COMMITMENT:**

A promise, usually in writing, to provide a mortgage or other loan. May also be used in insurance field. Sets out details of mortgage, insurance. Often referred to as Commitment Letter or Binder.

**COMMITMENT FEE:**

The fee charged by the lender to commit itself to a mortgage or loan on specific terms.

**COMMON AREA ASSESSMENTS:**

Also known as Common Element Fees. A periodic charge levied against all of the owners of units in a condominium or planned unit development (PUD) project which is used by the condominium corporation or homeowner's association to pay for repair, maintenance and other expenses of the common areas in the development.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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803-831-0056 Office \* 803-831-0805 Fax

**COMMON AREAS:**

Portions of the property and buildings owned by a condominium corporation or planned unit development (PUD) homeowners' association, or a cooperative development's association that are available for the use of all unit owners. Also used in rental properties to refer to those facilities for the use of all tenants.

**COMMON ELEMENTS:**

A common area in a condominium project which is owned by the condominium corporation and for the use of all unit owners.

**COMMON LAW:**

As opposed to statute law. Laws or legal principles that have been established by courts over the years. May be codified into a statute or overruled by a statute passed by the government.

**COMMUNITY ASSOCIATION:**

Any organization established and run by property owners in a particular area, often to represent the common interests of the owners in dealings with government, planning bodies, developers or other outside parties.

**COMMUNITY HOME BUYER'S PROGRAM:**

Program established to find creative ways to finance home purchases for people with modest income.

**COMMUNITY PROPERTY:**

The principle that property accumulated by the joint efforts of a married couple should be considered to be owned by both of them in equal shares, no matter who has legal title to the property.

**COMPARABLES:**

Used in assessing or establishing the fair market value of a property, a property which has been sold recently that is similar in size, condition, location and amenities to the subject property.

**COMPETENT PARTIES:**

People who are legally capable of entering and being bound by a contract (i.e. of age, mentally capable).

**COMPLETION DATE:**

*See Closing Date.*

**COMPONENT DEPRECIATION:**

For tax purposes, allocating a portion of the total cost of renovation to each component of the renovation (roof, plumbing, electrical, foundation, etc.) and then depreciating the cost of each component separately.

**COMPOUND INTEREST:**

As opposed to simple interest. The accumulation of interest on a loan over time where interest is charged not only on the principal of the loan but also on all interest accrued against the principal to the end of the last compound period.

**CONCESSIONS:**

Sacrifices made by a party to convince another party to enter a contract.

**Real Estate Glossary of Terms**

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**CONDEMNATION:**

1. The taking of private land for public use by a municipal or other government body through a court action under the principal of Eminent Domain. See also Expropriation.
2. An order made by a health or building department barring the use of a dangerous or hazardous property.

**CONDITION(S):**

Clauses in the Agreement which must be fulfilled before the Agreement becomes firm and binding. If the condition is not fulfilled, the Agreement will usually become null and void and any deposit paid returned to the Purchaser.

**CONDITIONAL OFFER:**

An offer to purchase a property which is contingent on the fulfillment of certain conditions before it becomes firm and binding. Also known as "Conditional Sales Contract".

**CONDOMINIUM:**

A development where individuals own dwelling units but share common areas with the other unit owners of the complex. The maintenance of the common areas etc. is taken care of by the Condominium Corporation in which every unit owner owns a share and has voting rights. The Condominium Corporation is created by the registration of a Declaration and by-laws on title to the property and all individual units.

**CONDOMINIUM OWNERS ASSOCIATION:**

An organization made up of unit owners in a condominium development established to govern relations between the owners and to administer the rules, by-laws and covenants of the condominium.

**CONFORMING:**

Complying with the requirements of a certain statute, by-law or organization.

**CONSERVATOR:**

Also called a Committee, Personal Representative or Guardian, a person appointed by the Court to administer the property of a person who is not capable of managing his own affairs.

**CONSIDERATION:**

The value, asset, service, information etc. which is offered to another party in a contract in exchange for that party's agreeing to enter the contract. A contract is not binding if each party does not offer at least some consideration to the other party(ies).

**CONSTANT PAYMENT LOAN:**

A type of loan which requires equal, periodic payments over a certain term, at the end of which the amount owing under the loan will be completely paid out.

**CONSTRUCTION LOAN:**

A structured, short-term loan to a builder or developer to allow for the development of land. Funds are advanced at certain stages of the development project to pay for specific expenses, fees or costs.

**CONSTRUCTIVE EVICTION:**

Actions of a landlord (or third party) which interfere with a tenant's use and enjoyment of the rented premises to such an extent that the tenant is, at law, considered to have been improperly forced out of the premises.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**CONSTRUCTIVE NOTICE:**

The legal principle that deems that a person has knowledge of a certain fact once that fact is made a part of a public record. The registration of a lien on title to a property represents constructive notice to all persons interested in that property of that lien, whether they have investigate the title records or not.

**CONSUMER REPORTING AGENCY (OR BUREAU):**

Also known as Credit Bureau. The source to which the banks or other lenders turn for information on the credit history of an applicant.

**CONTIGUOUS:**

See also *Abutting*. Sharing a common boundary, touching.

**CONTINGENCY:**

An event which may (or may not) happen in the future, a condition that must be fulfilled before a contract becomes firm and binding.

**CONTRACT:**

A legally binding agreement (oral or written) between two or more persons regarding an exchange of some sort. A legally binding contract must include consideration passing between the parties, an intention on the part of all parties to be bound to the contract, a meeting of the minds of the parties as to the contents of the contract, and an element of clarity such that the terms of the contract may be interpreted, understood and enforced by a court.

**CONTRACT FOR DEED:**

Also known as a Land Contract or Land Installment Contract. Transfer of a property where the title remains in the Vendor's name until the Purchaser makes the final payment to the Vendor of the Purchase Price.

**CONTRACT OF SALE:**

Also known as Agreement of Purchase and Sale, Offer to Purchase, Contract of Purchase. The written agreement between the Vendor and Purchaser for the sale of property which contains all of the terms, conditions and financial details of the transaction.

**CONTRACT RENT:**

The periodic rental payment as set out in the lease contract.

**CONTRACTOR:**

A tradesman who works in the construction industry under a contract with the owner of the property. See also "*sub-contractor*".

**CONVENTIONAL LOAN:**

1. A loan or mortgage to which the normal rules of such transactions apply without the inclusion of a government program (i.e. VA or FHA insurance).
2. A loan or mortgage with a fixed interest rate, fixed payments and a fixed term.

**CONVERSION CLAUSE:**

A provision in a *variable rate mortgage (adjustable rate mortgage)* which allows the borrower to change the mortgage to a fixed rate mortgage upon the occurrence of certain events.

**Real Estate Glossary of Terms**

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**CONVERSION:**

1. A change in the use of a property, or in the way a property is owned (i.e. from private to condominium ownership)
2. The improper taking of the property of another for one's own use;
3. In Ontario, the transfer of a property from the Registry System of land registration to the new Land Titles Conversion Qualified (LTCQ) computerized system by the agents of the Ontario government.

**CONVERTIBILITY CLAUSE:**

See "*Conversion Clause*".

**CONVEY:**

To transfer title to (or any other interest in) a property to someone else.

**CONVEYANCE:**

The act of transferring an interest in property to someone else or the document which effects the transfer.

**CO-OP:**

Short for Cooperative, a mode of land ownership where the occupiers of individual units in a building own an interest in the Cooperative Corporation that owns the whole property.

**COOPERATING BROKER:**

A Broker who is involved in a real estate transaction and is, therefore, entitled to share in the commission from the transaction.

**COOPERATIVE (CO-OP):**

See "*Co-op*".

**CORPORATE RELOCATION:**

The movement of an employee of a corporation to a new city (or other location) as part of the normal business of the corporation. The employee's moving expenses (including the costs of selling and buying a home) may be paid by the corporation and are tax deductible.

**CORPORATION:**

A legal entity created by the registration of appropriate incorporating documents with the supervising government office. May be private (ownership held by specific individuals and not traded on a public stock exchange) or public (shares traded on stock exchange). Shareholders are protected from liability for the actions of the corporation. Corporations may enter contracts and own property.

**CORPOREAL:**

Tangible.

**COST APPROACH:**

An appraisal method where a property's value is estimated using the cost of the property plus cost of all improvements, minus depreciation.

**COST ESTIMATING:**

Predicting the total cost of a construction project by estimating, in advance, the actual costs of all elements in the project, including legal fees, labor, permits, materials etc.

**COST PLUS CONTRACT:**

An agreement with a contractor or builder which sets the contractor's compensation for the project as a percentage of the total cost of all labor and materials.

**Real Estate Glossary of Terms**

The Goins Group, LLC

PO Box 5261 Lake Wylie, SC 29710

803-831-0056 Office \* 803-831-0805 Fax

**CO-TENANCY:**

When more than one person owns a piece of property. Title will be held by the owners as Joint Tenants (each owns the land equally and, in the event of the death of one of the owners, the survivors continue to share title equally by right of survivorship) or as Tenants in Common (each owner has title to a specific percentage of the land and may sell, mortgage, or bequeath her interest to a third party without consent of the other owners).

**COUNTEROFFER:**

An answer to an offer. If a prospective Purchaser presents an offer to purchase a property to the owner of the property, that owner may accept the offer as it stands, reject it outright or respond with a "counteroffer" which changes certain terms of the original offer. Making a counteroffer, at law, entails rejection of the original offer. The Purchaser may then counteroffer back, making changes to the owner's counteroffer. Sometimes, the process of counter offering is referred to as "signing back" the offer.

**COUNTY:**

A territorial division of land in a geographic region (state or province). Similar to Regions and Regional Municipality.

**COVENANT:**

A promise contained in a contract or agreement.

**COVENANT RUNNING WITH THE LAND:**

A covenant that is literally attached to the land and binds present and future owners to the requirements of the covenant. In new developments, such covenants may be restrictive: the owner is not allowed to alter grading patterns of the land, or erect new fences, or put up TV aerials, or to change the color of the exterior of the house. Such restrictive covenants may be enforced by a Homeowners' Association.

**CREATIVE FINANCING:**

An arrangement for the financing of the purchase of a property which is outside the normal practice of residential financing.

**CREDIT:**

1. The ability to access money, to use money prior to earning it.
2. The accounting term for a liability or for equity, entered on the right side of the ledger.
3. As a verb, to allot for the benefit of a person (i.e. You must credit the Purchaser on closing for the deposit paid).

**CREDIT HISTORY:**

A statement of the debts and obligations, whether current or past, of a person which helps a lender to assess the risk of a loan to that person.

**CREDIT LIFE INSURANCE:**

A form of insurance which is designed specifically to pay out the debts of the insured person in case of their death.

**CREDIT LIMIT:**

The maximum amount available to a person under a loan, credit card or other borrowing arrangement.

**CREDIT RATING:**

Based on an analysis of a person's credit history, an evaluation of that person's ability to manage a new debt or debts overall.

**Real Estate Glossary of Terms**

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**CREDIT RISK:**

The potential for a borrower to fail to live up to her obligations under a loan arrangement.

**CREDITOR:**

Any person to whom money is owed. May be secured (the debt has been registered against the property of the debtor) or unsecured.

**CUL-DE-SAC:**

French term for a "*dead-end street*". A street which meets another street at one end but is closed at the other, such that little traffic will travel down it and the property owners enjoy excellent privacy.

**CUMULATIVE INTEREST:**

The total amount charged as interest on a loan or mortgage to a certain date.

**CUSTOM BUILDER:**

A builder or developer who specializes in creating homes to the specifications and requirements of individual land owners.

**DAMAGES:**

The estimated monetary value of the injury a person suffers as a result of an unlawful act or negligent act of another person. Once proven, damages may be awarded by a Court.

**DATE OF APPRAISAL:**

The precise day, month and year upon which an assessment of the value of a property has been given.

**DATE OF INSTRUMENT:**

The specific day, month and year a legal document was signed or prepared.

**DATE OF REGISTRATION:**

The specific day, month and year upon which an instrument was registered on title to the property.

**DEAD-END STREET:**

Also known as "*Cul de Sac*". A street which is closed at one end so that traffic cannot flow through it.

**DEALER:**

Similar to a car dealer, a person who offers a collection of properties for sale to the public.

**DEBIT:**

An entry on a financial statement which reflects payments or disbursements made on behalf of a party for which the party is responsible (opposite of "Credit").

**DEBT:**

1. An obligation to another person.
2. That obligation which is created by borrowing.
3. The total of all financial obligations of a person or corporation.

**DEBT COVERAGE RATIO (DCR):**

A comparison of the net income of a property with the cost of payments (principal and interest) on the mortgage on the property, used to assess the ability of the property to generate enough income to pay for itself.

**Real Estate Glossary of Terms**

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**DEBT EQUITY RATIO:**

A comparison of the amount owing on a property with the equity (value of property minus amount owing).

**DEBT FINANCING:**

Paying for the purchase of a property with credit.

**DEBT RATIO:**

Also known as Debt-to-Income ratio. A comparison of the total monthly payments of all of the borrower's debts (including the mortgage) with the gross monthly income of the borrower, used to assess borrower's ability to pay mortgage.

**DEBT SERVICE:**

The mortgage payment for a given period of time.

**DEBTOR:**

A person who has borrowed and therefore owes (opposite of Creditor).

**DECLARATION OF RESTRICTIONS:**

A Statement made by a developer of a new subdivision which sets out the restrictions of general application throughout the new development.

**DECLARATION OF TRUST:**

A signed statement by a trustee acknowledging that she holds legal title to property on behalf of someone else (the beneficiary of the trust).

**DECREE OF FORECLOSURE:**

An order of the Court setting out the amount outstanding on a delinquent mortgage and ordering the sale of the property to pay the mortgagee.

**DEDICATION:**

Often required under subdivision or development agreements, the donation of parcels of land to the municipality for a public use, such as a street, a park or a school.

**DEED:**

The instrument by which title to property is conveyed from one person to another.

**DEED BOOKS:**

The permanent record of deeds registered in a particular jurisdiction. Also known as "libers".

**DEED IN LIEU OF FORECLOSURE:**

A legal instrument in which a borrower conveys property to a lender under a mortgage to save the expense of foreclosure. See also quit-claim deed.

**DEED IN TRUST:**

A legal instrument conveying legal title to a property to a trustee, may contain statements as to powers of trustee, duties of trustee etc.

**DEED OF RECONVEYANCE:**

A legal instrument which conveys title from a trustee back to the borrower under a mortgage once the mortgage has been paid out.

**DEED OF RELEASE:**

A legal instrument signed by lien claimants or mortgagees which gives up their claim to the property. See Discharge and Quit Claim Deed.

**Real Estate Glossary of Terms**

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**DEED OF SURRENDER:**

A legal instrument in which a person with a life interest gives up that interest to the person with underlying title.

**DEED OF TRUST:**

A legal instrument which secures the payment of a loan or mortgage, used in some states instead of mortgages.

**DEED POLL:**

A legal instrument which conveys title and is made by only one party.

**DEED RESTRICTION:**

A clause in a deed which limits the use of the property in certain respects.

**DEFAULT:**

Failure. In mortgages, the failure to make payments in full, on time or at all or to live up to any other obligations placed on the borrower by the loan agreement.

**DEFAULT JUDGMENT:**

A decision rendered by a Court when the defendant has failed to respond to the claim.

**DEFEASANCE CLAUSE:**

A clause in a mortgage which ensures that, once the borrower has met all of her obligations under the terms of the mortgage and paid out the entire principle and interest borrowed, the lender's legal interest in the property is extinguished.

**DEFEASIBLE:**

Able to be revoked in the case of the occurrence (or non-occurrence) of a certain event or the performance (or failure) of a condition.

**DEFECT OF RECORD:**

A registered claim on title which serves to interfere with the marketability of the owner's title to the property.

**DEFECTIVE TITLE:**

Ownership of property which is subject to some competing claim.

**DEFENDANT:**

The person against whom a claim is asserted in a Court action.

**DEFERRED INTEREST:**

Interest which is not paid as it accumulates but which is added, instead, to the loan principle.

**DEFERRED INTEREST MORTGAGE:**

A technique for reducing the amount of each periodic payment on a mortgage monthly by postponing the payment of a portion of the interest until a certain date in the future (or to when the property is sold), at which time the interest postponed is added to the principle owing.

**DEFERRED MAINTENANCE:**

A nice way to say that the property has not been kept up and is depreciating both physically and in value.

**Real Estate Glossary of Terms**

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**DEFICIENCY JUDGMENT:**

A Court order against a borrower under a mortgage to pay to the lender an amount sufficient to make up for the difference between what the borrower owes under the mortgage and the amount the lender sold the property for under a mortgage remedy action.

**DEGREE:**

One 360th of a circle. One 90th of a right angle. Used in astronomic bearings in metes and bounds descriptions of land.

**DELINQUENCY:**

The condition of being late on a payment but not yet in default.

**DELIVERY:**

The act of turning over any legal document (including a Deed) to another party so as to make it legally operative and no longer revocable.

**DEMAND LOAN:**

A type of loan where the lender may require payment in full of the principal (and accumulated interest) at any time.

**DEMISE:**

A conveyance of an interest in property for a set period of time (such as in a lease).

**DEMISED PREMISES:**

The portion of the entire property which is leased to a particular tenant.

**DENSITY:**

A measure of the number of a certain thing within a defined space. Population density, for example, measures the number of people in a given area (a square-mile, an acre etc.)

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD):**

A federal agency focusing on programs regarding housing and renewal of city communities.

**DEPARTMENT OF VETERANS AFFAIRS (VA):**

An independent federal agency which oversees programs for military veterans, including loan and mortgage programs.

**DEPOSIT:**

1. The money paid up-front by a purchaser as security for her completing the transaction. Also known as "good faith money" or "earnest money".
2. An instrument which is not registered on title but placed in the records for a given piece of land for information purposes.

**DEPOSIT OF TITLE DEEDS:**

When a lender requires ownership documents to be left with it as further security for a loan.

**DEPRECIABLE BASIS:**

The initial acquisition cost of an improvement on land, used for income tax purposes. Land may not be depreciated but the improvements (buildings, etc.) may be.

**DEPRECIABLE LIFE:**

An estimation of the useful, valuable life of certain assets (such as buildings or production machinery).

**Real Estate Glossary of Terms**

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**DEPRECIATION:**

1. The lessening of the value of a property over time.
2. A tax adjustment accounting for the reduction in value of an asset (a building or a piece of machinery) over time.

**DERELICTION:**

The gradual receding of water, leaving more land than was there previously.

**DERIVATIVE CONVEYANCE:**

A transfer of property made to correct or confirm an earlier conveyance.

**DESCENT:**

The conveyance of property to those heirs of a deceased person as dictated by the laws of the jurisdiction when no will is left behind.

**DESCRIPTION:**

Also known as "Legal Description". The manner in which a piece of land is identified. May involve metes and bounds measurements using astronomic bearings or may simply set out Lot and Plan numbers in a specific municipality. Most jurisdictions require description of land to be included in all instruments to be registered on title to that property.

**DESIGNATED REAL ESTATE BROKER:**

Person designated by a corporation to oversee all real estate activities of that corporation. Must meet requirements for real estate broker's license.

**DESIGNATED REAL ESTATE INSTRUCTOR (DREI):**

Any person who has met the requirements of the Real Estate Educators Association for this designation.

**DETACHED SINGLE-FAMILY HOME:**

A free-standing dwelling that is designed to house one family unit.

**DETERIORATION:**

The impact of time and wear and tear on a dwelling or other building which results in a decrease in its value if nothing is done to counteract it.

**DEVELOPER:**

A person or company who makes a business of turning vacant or underused parcels of land into new housing (or business, commercial or industrial) surveys.

**DEVELOPMENT LOAN:**

A loan specifically designed to finance the transformation of a vacant tract into a new survey. May provide for money to be advanced as the stages of the development are completed.

**DEVELOPMENT**

The legal ability to develop a parcel of land, usually purchased from the owner of a vacant tract of land by the developer. Title to the property does not change hands until the new survey of properties is sold to third-party purchasers.

**RIGHTS:****DEVISE:**

The act of leaving a piece of land to another person in a will.

**DEVISEE:**

The beneficiary under a will who receives a gift of real estate under the will.

**Real Estate Glossary of Terms**

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**DEVISOR:**

The deceased person under whose will the beneficiary receives real estate. More commonly called the "testator".

**DINK:**

Short form for "Double Income, No Kids". A description of a type of Purchaser in the real estate market.

**DIRECT COSTS:**

Those expenses in the improvement of property which can be directly attributed to the improvement itself (i.e. labor, material, taxes, etc.). Also known as "hard costs".

**DIRECT REDUCTION MORTGAGE:**

A kind of mortgage where the principal and interest to be paid are based on the principal remaining. An amortized mortgage.

**DIRECTION:**

1. A document containing written instructions to a person to do a certain thing in a certain way.
2. A point on a compass, used in legal descriptions.

**DIRECTION REGARDING FUNDS:**

A direction made by a party who is entitled to money to the party who is obligated to pay the money which sets out how the receiving party wishes the money paid.

**DIRECTION REGARDING TITLE:**

Also known as "Title Direction". A direction made by the Purchaser to the Vendor of property setting out how the Purchaser wishes to take title. May include the full legal name, the birth date (if necessary), the address for service of the Purchaser and, if there are more than one Purchaser, the capacity in which they wish to share title ( i.e. as Joint Tenants or Tenants in Common).

**DIRECTIONAL GROWTH:**

A factor in the value of undeveloped land, the direction in which an urban center tends to expand.

**DISAFFIRM:**

To refuse to accept a decision already made, to revoke consent, assent or agreement already given.

**DISBURSEMENT:**

An expenditure of money.

**DISCHARGE:**

1. A document registered to remove a mortgage from title to a property.
2. To payout out a debt.
3. To meet one's obligations.

**DISCLAIMER:**

A statement of refusal of responsibility of a legal right etc.

**DISCLOSED PRINCIPAL:**

The person on whose behalf an agent is acting when that person's identity is made know to the person with whom the agent is dealing.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**DISCLOSURE:**

Sometimes known as "Vendor's Disclosure", a legal requirement in some jurisdictions in which the Vendor of a property must provide a written statement to a prospective purchaser setting out defects in the property known to the Vendor.

**DISCLOSURE STATEMENT:**

A document issued by a lender to a borrower in which the lender sets out the terms and conditions of the loan. Often required under legislation.

**DISCOUNT:**

A sum of money held back from a mortgage advance as prepaid interest.

**DISCOUNT POINT:**

See point. Each point is equal to 1% of the principal.

**DISCOUNT RATE:**

A benchmark for interest rates, the rate charged by the Federal Reserve System on loans to banks.

**DISCOUNT REAL ESTATE BROKER:**

A licensed real estate broker who charges a commission at a lower rate.

**DISPOSSESS:**

To remove a person from occupation of a property by a legal action.

**DISPOSSESS PROCEEDINGS:**

The legal action taken to dispossess a person of property.

**DISTRAINT:**

A landlord's action for recovering *arrears* in rent by taking possession of and selling the tenant's personal property.

**DISTRESS:**

The right of a party to sell the real or personal property of another party to pay for *arrears* in rent or loan payments.

**DISTRESSED PROPERTY:**

A property which is to be sold in order to pay *arrears* on a mortgage.

**DISTRICT:**

A terms used to classify neighborhoods according to their use: residential, commercial, industrial, etc.

**DOCUMENT:**

1. **Noun:** a paper which establishes certain facts or attempts to bring about a certain result.
2. **Verb:** to set out events, facts or beliefs in written form.

**DOCUMENTARY STAMP:**

A levy paid to the local government for registration of a document (a deed or mortgage) in the public records, often calculated as a percentage of the purchase price or the value of the mortgage.

**DOG:**

A slang term for a property that, as a result of factors such as poor condition, poor location or poor design, is slow to sell.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**DOMICILE:**

The place where a person legally resides.

**DOMINANT ESTATE:**

The property which enjoys the benefit of an easement over another property (known as the servient estate).

**DONEE:**

The person who receives a gift, bequest, or who is named an attorney in a power of attorney.

**DONOR:**

The person who gives a gift, bequest, gives power of attorney or who settles property in a trust for another person (the beneficiary).

**DOUBTFUL TITLE:**

Ownership of land which is questionable as a result of a possibly valid competing claim.

**DOWER:**

The interest enjoyed by a wife in real property her husband acquired during his life time. The right becomes exercisable upon the death of the husband. Dower still exists in some jurisdictions but has been abandoned in most.

**DOWN PAYMENT:**

The amount of money provided by the Purchaser toward the total price of the property (not including legal fees or other acquisition costs). In general, down payment plus mortgage equals purchase price.

**DOWNZONING:**

The reduction of the density allowed for a certain property under zoning by-laws, such as from high density (high rise apartment) to medium density (low rise or individual homes).

**DRAGNET CLAUSE:**

A term of a mortgage which establishes the subject property as security for the present and for all future debts of the owner to the lender.

**DRAIN:**

A means, whether natural or otherwise, by which water is allowed to flow off a property.

**DRY MORTGAGE:**

Also known as "non-recourse loan" because the lender has no personal right of action against the property owner in the event of default. The lender may only sell the property to enforce the loan obligation.

**DUAL AGENCY:**

A breach of agency rules which must be disclosed to the parties. Where one agent (often a real estate broker or agent) represents both sides in a contract (i.e. the Vendor and the Purchaser) such that the agent has a conflict of interest.

**DUE DATE:**

The date established in the loan agreement upon which all moneys then outstanding on the loan become due and payable in full.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**DUE ON SALE CLAUSE:**

A clause in a mortgage which requires that the mortgage be paid out in full upon the sale of the property against which it is secured. A mortgage with this clause may not be assumed by a purchaser.

**DUMMY:**

Slang term for the trustee in an undisclosed trust situation where a nominee holds legal title of property for an unnamed principal.

**DUPLEX:**

A building which houses two separate dwelling units.

**DURESS:**

A state in which the improper, threatening or coercive actions of another place a person in a disadvantage psychological position. A person is not bound by a contract she enters while under duress.

**DWELLING:**

A house, home, living unit. Generally refers to a building designed for use as a living space.

**EARNEST MONEY DEPOSIT:**

A sum of money paid by a potential purchaser as proof of her intention to complete the purchase transaction. Held in trust, usually by the Listing Agent, and credited to Purchaser off purchase price. May be forfeited if Purchaser fails to complete transaction.

**EASEMENT:**

The right of the owner of one parcel of land to use all or part of the land of another for a specific purpose. Runs with the land. Requires one property to be in dominant position (enjoys the benefit of the easement) and one property to be in servient position (is subject to the right).

**EASEMENT BY NECESSITY:**

A land owner's right to make use of the property of another (or a portion of it) for a specific purpose, when such use is required to allow the land owner to enjoy his own land.

**EASEMENT BY PRESCRIPTION:**

The continuing, unchallenged use of all or part of a property by the owner of a neighboring or nearby property for a specific period of time (20 years in many jurisdictions) such that, by law, the using owner gains a legal right to continue that use.

**EASTLAKE HOUSE:**

A house which is remarkable for its three-dimensional ornamentation following a nineteenth-century style.

**ECONOMIC BASE:**

The commercial or industrial foundation of a community which provides opportunities for employment.

**ECONOMIC DEPRECIATION:**

The decline in value of a property which is caused by reasons outside of the property itself.

**ECONOMIC LIFE:**

The length of time an improvement to real estate can be expected to provide more value than its operating or upkeep costs.

**Real Estate Glossary of Terms**

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**EFFECTIVE AGE:**

An appraisal term for the age of improvements to a property based on an assessment of their current condition (i.e. a well-maintained 100-year-old house could have an effective age of 10 years while a ramshackle, unmaintained 20-year-old house could have an effective age of 50 years). Opposite of "*actual age*".

**EFFECTIVE GROSS INCOME:**

1. For borrowers, the actual amount of money earned from stable sources over a set period (i.e. a month) before taxes and expenses are deducted.
2. For rental properties, the amount of income the property will produce if leased at market value before costs, taxes, upkeep and discounts for vacancy are deducted.

**EFFECTIVE RATE:**

The actual rate (or interest or return) once all factors are accounted for (factors include compounding of interest or costs of earning the return).

**EFFICIENCY RATIO:**

A comparison of the space in a building available for lease to the total space of the building.

**EFFICIENCY UNIT OR APARTMENT:**

A term for a small dwelling unit in which kitchen and sometimes bath areas are combined with the living area. Also known as "bachelor apartment" or "studio apartment".

**EGRESS:**

Means of exit from a room, building or property (often to a road).

**EJECTMENT:**

Legal proceeding to evict a tenant without a lease.

**ELIZABETHAN OR HALF TIMBER STYLE:**

A two-storey or two-and-a-half storey, English-style house which has the upper storey overhanging the first, often with stone and stucco walls and half-timber beams.

**EMINENT DOMAIN:**

The right of a body of government (often a state) to expropriate private property, while paying appropriate compensation to the owner.

**EMPTY NESTERS:**

Middle-aged or older couples whose children have grown up and "left the nest" to live on their own. Often looking to sell a larger house and buy a smaller one.

**ENCROACHMENT:**

The intrusion across the property line and into one property of an improvement to a neighboring property. May result in a claim for *adverse possession* if the encroachment is unchallenged for a long period of time.

**ENCUMBRANCE:**

Any right, interest or other claim against land which is registered on title and affects the owner's ability to sell the property.

**ENDORSER:**

The person who signs a document to represent the transfer of property to another.

**Real Estate Glossary of Terms**

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**ENERGY EFFICIENT:**

A description of a property which has special features aimed at reducing use of electrical or heating power (i.e. insulation, double-insulated windows, high-efficiency furnace, etc.).

**ENERGY TAX CREDITS:**

A tax break given to property owners who took steps to save energy in their property such as installing insulation.

**ENTITLEMENT:**

1. The legal right to a benefit or program.
2. Name for the VA home loan benefit.

**ENVIRONMENTAL IMPACT STATEMENT (EIS):**

A report on the anticipated effect of a development on the local environment. May be required for federal funding for the development.

**ENVIRONMENTAL PROTECTION AGENCY (EPA):**

U.S. government agency for the protection of the environment.

**EQUAL CREDIT OPPORTUNITY ACT:**

U.S. federal law aimed at affording people of all races, genders, religions, ages etc. an equal chance to borrow money.

**EQUALIZATION BOARD:**

Agency with a mandate to ensure fairness in property tax assessments.

**EQUITABLE CONVERSION:**

A common law doctrine which treats a Vendor under an Agreement for the sale of property as holding the property in trust for the Purchaser even before the transaction has been completed such that the Vendor is liable to the Purchaser for any damage negligently caused to the property.

**EQUITABLE TITLE:**

The common law interest of the Purchaser in the property for which she has entered an Agreement to Purchase prior to the completion of the transaction.

**EQUITY:**

The difference, in dollars, between the market value of a property and the principal owing on debts secured against the property. The amount of money the owner will be able to keep from a sale transaction once the mortgages are paid out. Also known as "owner's interest".

**EQUITY BUILDUP:**

The increase over time of the owner's interest in a property, the difference between the value of the property and the amount owed on the mortgage.

**EQUITY LOAN:**

A loan to a home owner secured against the equity the owner enjoys in the property.

**EQUITY OF REDEMPTION:**

The right a borrower has to pay out in full a mortgage against a property that has gone into foreclosure or power of sale proceedings, thus redeeming the property.

**EROSION:**

The gradual diminishing of land or soil as a result of the action of water, wind, rain, etc.

**Real Estate Glossary of Terms**

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**ERRORS AND OMISSIONS INSURANCE:**

Professional protection from liability for mistakes, negligence, etc.

**ESCALATOR CLAUSE:**

Part of a net lease. A provision that increases the rent payable under a lease when certain costs of the building increase (i.e. taxes, utility charges, etc.).

**ESCAPE CLAUSE:**

Any provision in a contract that allows one or more parties to end the contract upon the occurrence of certain events.

**ESCHEAT:**

The reversion of title to a property to the state. Can occur when an owner dies with no legal heirs or when a corporate owner is dissolved by act of law or by voluntary act while holding legal title to the property.

**ESCROW:**

A state wherein consideration, benefits, legal rights, money, documents or other valuables are transferred to another party in advance of that party's legal entitlement to them, on the basis that the legal entitlement will arise at a given point in the future. A form of trust.

**ESCROW ACCOUNT:**

A form of trust account in which advance payments are held on behalf of the payor until the contract allows their use by the payee or a third party.

**ESCROW AGENT:**

Any independent third party who receives items to be held in escrow, holds such items until transfer is allowed, and then delivers them.

**ESCROW CLOSING:**

The completion of a transaction whereby documents, consideration etc. are held in trust (either by the parties and their representatives or by an independent third party) pending the completion of certain conditions, at which time the items held in escrow are released and the transaction is completed.

**ESCROW COLLECTIONS:**

Moneys taken in by the agent and set aside for future payments as required by the contract (i.e., in a mortgage situation, for taxes, insurance, etc. on the property). Also known as "escrow deposits", "impounds" or "reserves".

**ESCROW DEPOSIT:**

Similar to "escrow collections", the deposit of funds for the purpose of future payments required under the contract.

**ESCROW DISBURSEMENTS:**

The payment out of escrow funds of taxes, insurance, etc. as required by the contract. Also known as "escrow payments".

**ESCROW REIMBURSEMENT:**

The return to the borrower of left over funds held in escrow once the debt has been paid out.

**ESTATE:**

1. The nature and extent of a person's interest in real property.
2. The term used to describe the collection of assets of a deceased person.

**Real Estate Glossary of Terms**

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**ESTATE AT SUFFERANCE:**

The continued occupation of a premises by a tenant after the lease has expired or after the landlord has taken legal and appropriate steps to remove the tenant.

**ESTATE AT WILL:**

The occupation of a premises by a tenant for an undefined period, which either party may terminate at will.

**ESTATE FOR LIFE:**

Also known as "Life Estate". A legal interest in property which ends with the death of the person who is entitled to the interest.

**ESTATE FOR YEARS:**

Entitlement to land which allows a person to occupy, use and enjoy the land for a specified period of time.

**ESTATE IN REVERSION:**

The right of an owner to re-occupy land once the estate he has granted to another person (such as an estate for years or an estate for life) has come to an end.

**ESTATE TAX:**

A government levy against the property in the estate of a deceased person, payable out of the estate.

**ESTOPPEL:**

A legal doctrine which blocks a person from taking a position on any fact which is contrary to a position that same person previously took on that same fact. Also blocks a party from re-opening an issue that has previously been decided by a court.

**ESTOPPEL CERTIFICATE:**

A document issued by an interested party setting out certain facts to which the issuer agrees to be bound. May be issued by a Condominium Corporation (setting out the common element fees for a particular unit, the amount in the corporation's reserve account, any special assessments against unit owners, etc.), by a mortgagor or mortgagee (setting out the terms, conditions, interest rate and principal outstanding) or by a tenant in a building to be purchased (setting out amount of rent, the amount of any rental deposit, etc.).

**ET AL:**

Latin meaning "and others".

**ET CON:**

Latin meaning "and husband".

**ET UX:**

Latin meaning "and wife".

**EVALUATION:**

An analysis of a property regarding its potential uses rather than its current value.

**EVICTION:**

The forced removal of a tenant from occupation of a property. Also known as "*Actual eviction*". See also "*constructive eviction*".

**EVIDENCE OF TITLE:**

Instruments or documents that provide any proof or information regarding ownership of land.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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803-831-0056 Office \* 803-831-0805 Fax

**EXAMINATION OF TITLE:**

Similar to a sub search: a review of the current title to a property for the purposes of establishing current apparent owners and encumbrances.

**EXCEPTION:**

An exclusion from coverage in a policy of insurance, usually referring to a known risk or defect for which the insurer assumes no responsibility.

**EXCLUSIVE AGENCY LISTING:**

A contract whereby the owner of a property grants a single agent or broker the right to market the property for sale.

**EXCULPATORY CLAUSE:**

The term of a mortgage giving the borrower the right simply to surrender the property to the lender as payment for the loan without personal liability to the borrower for any shortfall.

**EXECUTED CONTRACT:**

1. A contract which has been completely carried out by the parties.
2. A contract which has been signed by the parties.

**EXECUTION:**

1. The act of signing a legal document.
2. A writ filed with a Sheriff of a jurisdiction evidencing a legal claim against the person named in the Writ. May attach to real property owned by the person named in the writ.

**EXECUTOR:**

The person or people appointed in a will to give effect to the wishes of the testator (the maker of the will) as set out in the will. A female executor may be called "Executrix".

**EXECUTORY CONTRACT:**

A contract which has not yet been completely fulfilled by one or more of the parties.

**EXPENSE RATIO:**

A comparison of the costs of owning and operating something to its potential gross income.

**EXPOSURE (MARKET):**

A term used to describe the presence, through advertising, of a property that is for sale in the marketplace.

**EXTENSION:**

The postponement of the completion date of an Agreement, agreed to by the parties to the Agreement.

**FACADE:**

An exterior wall of a building or house.

**FACE LIFT:**

Slang term for cosmetic changes to the appearance of a property which may improve the selling price.

**FACE RATE OF INTEREST:**

The rate of interest chargeable on a loan as set out in the loan document.

**FACE VALUE:**

The value of an item as set out in the instrument creating it or representing it.

**Real Estate Glossary of Terms**

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**FAIR CREDIT REPORTING ACT:**

A law which standardizes the form and rules of disclosure of credit reports created by consumer/credit reporting agencies and establishes procedures for the correction of errors on a person's credit report.

**FAIR MARKET VALUE:**

The value of an item as established by a consideration of how much an independent buyer would pay to an independent seller in a completely free transaction for the item.

**FANNIE MAE:**

The U.S.'s largest supplier of mortgages to home buyers and owners, a corporation established by Congress. The Federal National Mortgage Association (FNMA).

**FARM MORTGAGE:**

A mortgage secured against agricultural land.

**FARMER'S HOME ADMINISTRATION (FMHA):**

U. S. Department of Agriculture agency providing financing for farmers, residents of rural areas, etc.

**FARMLAND:**

A category of land for zoning or other legal purposes, denoting property used for agricultural purposes.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):**

A U.S. Government agency providing insurance to depositors of money into financial institutions up to a certain amount.

**FEDERAL HOME BOARD:**

U.S. board that regulates federal savings and loan associations.

**FEDERAL HOUSING ADMINISTRATION (FHA):**

Division of the Department of Housing and Urban Development, sets standards for the underwriting of private mortgages. Also insures residential mortgages made by private lenders.

**FEDERAL LAND BANKS:**

Local banks providing long-term mortgages to farmers and owners of agricultural lands.

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA):**

See "*Fannie Mae*".

**FEDERAL RESERVE BANK:**

One of a set of twelve banks servicing one of twelve reserve districts in the U.S.A.

**FEDERAL RESERVE SYSTEM (FRS):**

The central bank of the United States, controls supply of money, credit availability and benchmark interest rates. Made up of the twelve Federal Reserve Banks.

**FEDERAL REVENUE STAMP:**

Stamp affixed to deeds evidencing payment of the tax on the transfer of land required to be paid up until January 1, 1968.

**FEDERAL TAX LIEN:**

An encumbrance registered on title to a property securing a tax debt owed by the property owner to the national government.

**Real Estate Glossary of Terms**

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**FEE APPRAISER:**

A person who estimates the value of a property for a fee.

**FEE SIMPLE:**

The best title to property available, representing the absolute ownership of a parcel of land.

**FEE SIMPLE DETERMINABLE:**

An estate in land where the owner's title to a property in fee simple is dependent on the occurrence (or non-occurrence) of a particular event. Usually represented by the inclusion of "As long as" in the deed.

**FEE SIMPLE SUBJECT TO A CONDITION SUBSEQUENT:**

An estate in land where the owner's title in fee simple may be terminated by the former owner or her heir's upon the occurrence of a particular event. The termination must be carried out by the former owner and is not automatic upon the occurrence of the event.

**FEE SIMPLE SUBJECT TO AN EXECUTORY LIMITATION:**

An estate in land where the owner's title in fee simple may be terminated by the occurrence or non-occurrence of a particular event, at which time title passes to a named third party.

**FEE TAIL:**

An archaic form, an estate in land where title to the property was limited to the owner and his descendants with no power to transfer. Usually created by a transfer to the person "and the heirs of his body".

**FEES:**

1. The money required at the outset by a lender from the borrower or held back from the mortgage advance.
2. The amounts charged by a professional for services rendered.

**FIDUCIARY:**

A person charged by law and equity with a higher duty of care for another person. A person who, as a result of a relationship with another person, is required by law to place the other person's interests equal to or ahead of his own in all dealings involving that other person. The relationship is often created when the other person approaches the fiduciary to use the fiduciary's special skills and knowledge, for a fee, to benefit the other person. Real estate agents, lawyers, trustees, investment brokers etc. are often fiduciaries.

**FIDUCIARY RELATIONSHIP:**

A relationship of trust and confidence between two people in which one person (the fiduciary) holds much more power, knowledge or skill than the other and is, therefore, held by the law to a higher standard of conduct.

**FIFTEEN-YEAR MORTGAGE:**

A loan with payments amortized over a fifteen-year period, rather than the usual twenty-five-year *amortization* period.

**FILTERING DOWN PROCESS:**

The gradual decline in the value of a property, whether due to market forces, changes in desirability of neighborhood or deterioration of condition of the home, such that a property once owned by a high-income family might eventually be owned by a low-income family.

**Real Estate Glossary of Terms**

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**FINAL VALUE ESTIMATE:**

The product of a real estate appraiser's completed work, an assessment of the value of a property based on all factors and taking into consideration the different evaluation methods available.

**FINANCE CHARGE:**

The total cost, in dollars, of a loan or mortgage over its life, including appraisal/application/commitment fees, financing insurance, interest paid over the life of the loan.

**FINANCIAL INSTITUTION:**

A generic term for banks, trust companies, credit unions, and perhaps other investment companies that deal with money, hold money, invest money and lend money.

**FINANCIAL RISK:**

An assessment of the possibility that a given investment or loan will fail to bring a return and may result in a loss of the original investment or loan.

**FINANCIAL STATEMENT:**

A document which sets out the assets, income, expenses and debts of a person or company to allow a third person to assess that person or corporation's financial health (i.e. when considering lending money to that person or corporation).

**FINANCING:**

The manner in which a proposed purchaser intends to make up the difference between cash on hand and the purchase price.

**FINANCING STATEMENT:**

A form of lien filed by a lender or creditor and registered against the personal property (all or specific items) of a debtor. Generally filed when a loan is secured against personal property.

**FINDER'S FEE:**

Commission paid to a mortgage broker for placing a mortgage with a specific institution.

**FIRE AND EXTENDED COVERAGE INSURANCE:**

A promise issued by a registered insurance company to compensate the owner of a particular property for losses as a result of specified risks (i.e fire, flood, storms, vandalism, etc.).

**FIRM AND BINDING:**

Description of a legal contract once all conditions have been removed. It is now legally enforceable by the parties to it.

**FIRM COMMITMENT:**

A promise from a lender to lend a specific borrower a specified amount of money on specified terms to be secured against a specific property.

**FIRM OFFER:**

An offer to purchase delivered to the potential Vendor by a potential Purchaser who will not negotiate any changes to the offer.

**FIRM PRICE:**

An indication in a real estate advertisement that the price asked for the property is not open for negotiation.

**Real Estate Glossary of Terms**

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**FIRST LIEN:**

The registered legal claim which stands first in line to enjoy the proceeds of a sale of the property. Liens generally are ordered according to time or registration but various statutes allow some liens (realty taxes) to jump to the head of the line.

**FIRST MORTGAGE:**

A mortgage that, when registered, is first in line on the property, giving the lender superior right to the proceeds of the sale of the property over other, later claimants.

**FIXED EXPENSES:**

Costs of owning and operating a property that are not discretionary and, except for occasional increases, do not change from month to month. Examples are realty taxes, insurance costs, etc.

**FIXED INSTALLMENT:**

The periodic payment made for principal and interest on a loan.

**FIXED RATE MORTGAGE (FRM):**

A loan registered on title to the property against which it is secured which charges an interest rate that does not change over the term of the mortgage.

**FIXING-UP EXPENSES:**

Moneys spent on minor repairs to improve the marketability of a property

**FIXTURE:**

An item which is attached to and forms part of the buildings or land itself and are, therefore, included in the sale or property unless specifically excluded in the contract.

**FLAG LOT:**

Description of the shape of a property, where access to a road is provided along the long, narrow "flag pole" and the usable land itself is the rectangular flag at the end of the pole.

**FLAT:**

English term for apartment. A portion of a building designed to serve as a home for a single family group.

**FLEA BAG:**

Slang term for a cheap, run-down property.

**FLIP:**

The rapid turnover of a piece of property by one person who buys it for a certain price then sells it soon thereafter for more.

**FLOATING RATE:**

Rate of interest chargeable on a loan that is variable according to a specified index or the national prime rate. The loan rate is said to "float" on top of the specified index by a set amount: i.e. the loan may be set at Prime Rate plus 2%, meaning if the Prime Rate is 6%, the loan interest rate will be 8%.

**FLOOD INSURANCE:**

A policy of insurance that specifically covers damage due to flood waters, required in designated flood areas.

**FLOOD PLAIN:**

The area around a body of water which may at times be under water and may at other times be dry land, depending on the level of the water in the lake, river, pond, etc.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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803-831-0056 Office \* 803-831-0805 Fax

**FLOOR:**

The lowest the interest rate on a *variable* or *adjustable rate mortgage* may go.

**FLOOR AREA:**

The total space covered by all floors in a building.

**FLOOR AREA RATIO (FAR):**

A comparison of the total area of the floor of a building with the total area of the land upon which it stands. Maximum or minimum FARs may be established by local zoning rules.

**FLOOR PLAN:**

A sketch of an existing or proposed building showing the design and layout of the building and the specifications of each room. May also show doors, windows, stairways and other features.

**FNMA (FANNIE MAE):**

The largest single lender on residential properties in the United States, generally purchases mortgages from primary lenders.

**FOLIO:**

The page upon which a land instrument is record in the public record. The Book is the "liber", the page is the "folio".

**FOR RENT BY OWNER (FRBO):**

Indication that the owner of a property is attempting to find a tenant for his property on his own, without employing an agent.

**FOR SALE BY OWNER (FSBO):**

Indication that the owner of a property is attempting to find a purchaser for her property on her own, without employing an agent.

**FORBEARANCE:**

Any indulgence a party gives to another party to a contract who is late in meeting her obligations under the contract.

**FORCED SALE:**

The marketing of a property as a result of some outside influence, such as bankruptcy, where the price obtained might not be optimum.

**FORECLOSURE:**

An enforcement process in which the lender under a defaulted mortgage takes title to the property for the purposes of selling it to recoup moneys owed under the mortgage.

**FORESHORE:**

The land on a water-side property that lies between the high-water mark and the low-water mark.

**FORFEITURE:**

The loss of a right, claim, interest or item of property as a result of one's failure to meet one's legal obligations.

**FORGERY:**

A document that is false, either as a result of being signed by someone other than the person represented to have signed it or as a result of being a false, worthless replica of a document that has value.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**FORM REPORT:**

A standardized appraisal document which requires the appraiser to present her findings in a prescribed form.

**FORMAL CONTRACT:**

A contract under seal.

**FORWARD COMMITMENT:**

A lender's promise to make a loan in the future.

**FRACTIONAL APPRAISAL:**

An estimate of the value of one portion of a property.

**FRACTIONAL INTEREST:**

A legal claim or right to a portion of a property.

**FRAUD:**

The act of leading a person to believe something which you know to be false in a situation where you know the person will rely on that thing to their detriment.

**FREDDIE MAC (FHLMC):**

Federal Home Loan Mortgage Corporation. A US agency which purchases first mortgages on residences.

**FREE AND CLEAR:**

A description of title to property which is unencumbered and subject to no competing claims.

**FREEHOLD:**

As opposed to leasehold. A right to or interest in property.

**FREEHOLDER:**

She who has a freehold interest in a property.

**FREE-STANDING BUILDING:**

A structure which does not depend on other structures for support, an independent structure.

**FRONT-END RATIO:**

A comparison of a borrower's monthly cost of housing with that borrower's monthly gross income.

**FRONT FOOT:**

A measurement of the property line which runs along the side of a street.

**FRONTAGE ASSESSMENT:**

A levy by a local government, usually to pay for the costs of building and maintaining roads and sidewalks, which is based on the frontage of each property along the street.

**FRONTAGE:**

The measurement of a property's boundary that runs along the side of a particular feature (street, lake, ocean, river, etc.).

**FRONT-END FEE:**

A lender's charges to the borrower for the costs of the borrower's application for the loan.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**FULL DISCLOSURE:**

The revelation to another party in a contract or legal dispute of all relevant information in one's possession. An agent acting for both parties in a real estate purchase must fully disclose this conflict of interest to all parties.

**FULL-PRICE OFFER:**

A proposal by a purchaser to buy a property at the price and on the terms asked by the vendor in her property listing.

**FULLY AMORTIZING PAYMENT:**

A periodic mortgage payment which, if paid consistently throughout the *amortization* period of the mortgage, will result in the total principal and interest owing on the loan being retired at the end of the *amortization* period.

**FULLY ASSUMABLE MORTGAGE:**

A land loan that may be transferred to a new owner without any change to the terms, as long as the new owner qualifies.

**FULLY EXECUTED SALES CONTRACT:**

An agreement in which all parties have agreed and signed to all terms of the agreement.

**FULLY INDEXED INTEREST RATE:**

The interest rate as set out in the *variable* or *adjustable rate mortgage*, equaling the index rate plus the float of the mortgage.

**FUNCTIONAL OBSOLESCENCE:**

The loss of use or value of an asset due to a change in the market demands. A property in Buffalo with no furnace may be considered to be functionally obsolete and, therefore, difficult to sell.

**FUNDING FEE:**

The charge paid by the borrower to the VA for the mortgage insurance provided by the VA on a veteran's mortgage.

**FUTURE ADVANCES:**

Monetary payments under an already registered mortgage as a result of the occurrence of certain events, as in a construction loan where more money is advanced once the framing is completed, etc.

**GABLE ROOF:**

An angled roof, triangular in shape.

**GAIN:**

Any increase in value or monetary holdings.

**GAMBREL ROOF:**

A roof that has two, differently angled slopes on each side of the peak, the upper slope being flatter while the lower slope is steeper.

**GARDEN APARTMENTS:**

A description of a kind of apartment unit which enjoys direct access to a lawn or other garden-like area.

**Real Estate Glossary of Terms**

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**GENERAL CONTRACTOR:**

The central figure in most construction pyramids, the person hired by the owner to plan and oversee the entire job. Often hires subcontractors who specialize in the various trades required for the job (i.e. plumbers, electricians, framers, carpenters, etc.).

**GENERAL LIEN:**

A registered claim against property which, instead of attaching just to one property, attaches to all properties owned by the party against whom the claim has been made.

**GENERAL WARRANTY DEED:**

Instrument which transfers legal title to property in which the Grantor warrants clear title to the Grantee.

**GENTRIFICATION:**

The process in which a neighborhood is transformed from low-value to high-value properties.

**GEORGIAN:**

A classic looking, English-style house, rectangular in shape, large, with two or three story's complemented by classic lines.

**GI LOAN:**

Also known as "VA loan".

**GIFT DEED:**

Instrument which transfers legal title to property for no consideration (except perhaps natural love and affection).

**GINNIE MAC (GNMA):**

Government National Mortgage Association. Assistance in obtaining purchase mortgages.

**GOOD AND MARKETABLE TITLE:**

Ownership of a property which is free of competing claims and interests.

**GOOD FAITH ESTIMATE:**

A written statement of the anticipated costs of completing a loan transaction which must be provided by a lender to a borrower within 72 hours of the submission of the loan application.

**GOOD FAITH:**

A term to describe a party's legitimate and honest efforts to meet her obligations in a given situation.

**GOVERNMENT RECTANGULAR SURVEY:**

A regularized system of surveying land using 24-square-mile quadrangles which are then further divided into 6-square-mile parts called "townships", which are in turn subdivided into 36 1-square-mile "sections".

**GRACE PERIOD:**

The time a borrower is allowed after a payment is due to make that payment without incurring penalties.

**GRADE:**

The contour of the land, usually around a building, which affects drainage patterns on the property.

**Real Estate Glossary of Terms**

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**GRADIENT:**

Expressed as a percentage, the rate of increase or decrease in the legal of land, the slope.

**GRADUATED LEASE:**

A rental agreement in which the periodic rental payments increase at specified points in time.

**GRADUATED PAYMENT MORTGAGE (GPM):**

A land loan in which the periodic payments increase at a stated rate over a stated period of time before leveling off for the remainder of the term of the loan.

**GRADUATION PERIOD:**

The interval between increases in the payments on a GPM.

**GRADUATION RATE:**

The rate at which the payments increase in a GPM, expressed as a percentage.

**GRANDFATHER CLAUSE:**

A provision in a law that ensures that the law is not retroactive, that it does not render a previously legal thing illegal. For example, a new zoning by-law requiring all houses to be at least five feet from the side lot line would not render illegal a 20-year-old house that stands three feet from the side lot line. The property would be described as "legal non-conforming".

**GRANT:**

The act of giving title to another. May also be used as a noun, meaning the instrument that transfers title.

**GRANTEE:**

One who receives title.

**GRANTOR:**

One who gives title to another.

**GRANTOR/GRANTEE INDEX:**

An alphabetical listing of the parties to all transfers of land, cross-indexed by grantor, grantee and the property transferred.

**GROSS AREA:**

The total floor space of a building, including unusable space, measured from the outside walls.

**GROSS INCOME:**

A person's earnings from all sources in a given period before expenses are deducted.

**GROSS LEASABLE AREA:**

The total usable, rental space in a building.

**GROSS LEASE:**

A rental agreement for the use of the property where the tenant pays a certain periodic amount which does not change as a result of changes in the various expenses of the property, which are the sole responsibility of the landlord.

**GROSS MARGIN:**

The difference between the interest rate chargeable on a variable or *adjustable rate mortgage* and the rate set by the index rate upon which the mortgage rate is based.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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803-831-0056 Office \* 803-831-0805 Fax

**GROUND LEASE:**

A long-term lease of land (often 99 years) in which the tenant is allowed to improve the land and use it for the term of the lease at the end of which the land and all improvements revert to the control and occupancy of the owner.

**GROUND RENT:**

Portion of rent attributable to the land alone.

**GROUP HOME:**

A dwelling which has been adapted to house a number of un-related persons who share a common characteristic.

**GROWING-EQUITY MORTGAGE (GEM):**

A mortgage with a fixed interest rate which has periodic payments which increase at intervals, the added money per payment being applied directly to the outstanding principal on the mortgage.

**GUARANTEE:**

1. An enforceable warranty on the continuing usefulness of a product.
2. An agreement by a third party to a loan transaction to join in the transaction and to be held liable for the moneys secured by the loan instrument should the principal debtor fail to pay.

**GUARANTEE MORTGAGE:**

A land loan that has a third party added to provide added assurance that the obligations under the loan will be met.

**GUARANTY FEE:**

Fannie Mae's fee for insuring a mortgage

**HABENDUM CLAUSE:**

A clause or series of clauses in an instrument of conveyance (i.e. a Deed) which defines the extent of title (i.e. fee simple or such other title) being transferred to the new owner of land. From Latin "habendum et tenendum", meaning "to have and to hold".

**HABITABLE:**

A description of a dwelling or property that is appropriate for human occupancy.

**HALF-SECTION:**

320 acres of land, 72 half-sections make up a township.

**HAMLET:**

1. A tragic prince of Denmark.
2. A small community, smaller than a village.

**HANDYMAN'S SPECIAL:**

A descriptive term for a property which requires significant work to bring it up to normal standards of condition and repair. Often marketed at a lesser price.

**HARBOR LINE:**

A boundary set by local authorities marking the extent of the area allowed for development along the sides of a navigable river or other body of water.

**HARD SELL:**

A description of a style of salespersonship in which the potential purchaser is placed under extreme pressure and bombarded with information and sales pitches.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**HAZARD INSURANCE:**

A type of insurance designed to cover damage caused by a peril specified in the policy of insurance (i.e. fire, flood, etc.).

**HEAVY HITTER:**

Slang term for any person with substantial resources.

**HEIGHT ZONING:**

The establishment of local by-laws or ordinances which restrict the height of buildings in a certain area. May be used in areas near airports (for safety reasons) or natural attractions (to maintain the view) or simply to allow the flow of air or sunlight.

**HEIR:**

A person who is entitled by law to the property, rights, privileges or position of another person if that other person dies without a will (intestate).

**HEREDITAMENT:**

A descriptive term for any property that one is able to inherit.

**HIATUS:**

A break or gap. In discussions of land, an area of land that lies between two parcels of land but appears from legal descriptions and public records not to be a part of either.

**HIDDEN AMENITIES:**

Qualities of a property which may not be immediately noticeable but add to the value of the property, such as high quality materials used in construction.

**HIGH RATIO MORTGAGE:**

A mortgage in which the amount of money borrowed is equal to or greater than 75% of the purchase price/appraised value of the property against which it is secured. Will require some sort of insurance, usually provided by a government agency.

**HIGH RISE:**

A descriptive term for any building that has enough floors to make an elevator a necessity.

**HIGH WATER LINE OR MARK:**

The highest point on the shoreline to which water in a lake, river, stream or other body of water will rise under normal weather conditions.

**HIGHEST AND BEST USE STUDY:**

An analysis of a property which is aimed at discovering the most profitable way to develop the property.

**HIGHWAY:**

In common parlance, a road which offers higher speed limits than a normal urban street. In legal parlance, any road which is available to use by the public.

**HISTORIC DISTRICT:**

A classification (whether under zoning, heritage or other authority) of a specific area of a community in which the buildings and improvements have a historical value or significance which may not be reflected in their market value. Designation as such a district may also involve strict rules regarding the way the buildings and properties are dealt with.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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803-831-0056 Office \* 803-831-0805 Fax

**HISTORICAL COST:**

A term describing the original cost of a project, stated in dollars of the time in which the project was completed, with no adjustment for inflation.

**HISTORICAL SCENARIO:**

An attempt to predict the interest rate fluctuations of a *Variable* or *Adjustable Rate Mortgage* on the basis of the behavior of interest rates in a previous period.

**HOLD HARMLESS CLAUSE:**

Also known as "save harmless clause". A clause in a contract in which one party releases another party for legal liability for a stated risk.

**HOLDBACK:**

A percentage of a contract price which is retained by a contractor or lender until the project is complete and all bills for that project are paid. The percentage may be set by custom or by statute.

**HOLDER IN GOOD FAITH:**

A person who takes title to a property without being notified of a defect on title or a competing claim.

**HOLDING PERIOD:**

The span of time in which a particular party holds title to a property. May be expressed as the total time (i.e. five years) or as a specific period (May, 1999 to July, 2004).

**HOLDING OVER:**

Also known as "*overholding*", the term used to describe the action of a tenant who retains possession of a premises after the lease has expired.

**HOLOGRAPHIC WILL:**

A testamentary document which is written entirely in the hand of the testator (the person making the will). Is a valid will in many jurisdictions despite the fact that it may not be properly witnessed, so long as it shows an intention on the part of the writer that the document be her will, it deals with the person's assets and there are no concerns with regard to fraud, coercion or lack of capacity. Originally recognized to aid soldiers in the field who, in the face of death, wished to settle their estate.

**HOME EQUITY CONVERSION MORTGAGE (HECM):**

Also known as a "reverse mortgage", a loan designed specifically for people without income but with a great deal of equity in their home (i.e. retired people). The loan may require periodic payments or may simply accumulate interest on the original principal until the property is sold (by the borrower or after the death of the borrower).

**HOME EQUITY LINE OF CREDIT:**

A special kind of loan (also known as a "revolving loan") which is secured against a property and allows the owner to borrow and repay money at her leisure. Periodic payments of at least accumulated interest are required but the loan is fully open: may be paid out in whole or in part at any time and, if there is still money available under the loan ceiling, the borrower may take more money for her use.

**HOME IMPROVEMENT LOAN:**

A loan made for the purposes of making improvements to a property.

**Real Estate Glossary of Terms**

The Goins Group, LLC

PO Box 5261 Lake Wylie, SC 29710

803-831-0056 Office \* 803-831-0805 Fax

**HOME INSPECTION (REPORT):**

The written statement of the results of the inspection of a given property by a professional home inspector. Will show problems and potential problems with the property not always visible to an average purchaser (i.e. a deteriorating roof, an ancient furnace, termites, wood rot, basement seepage). Many purchasers make their offer to purchase conditional upon obtaining a satisfactory Home Inspection report.

**HOME INSPECTOR:**

A person who offers a service of making a physical inspection of homes. Qualifications may vary.

**HOME KEEPER SM:**

A form of Home Equity Conversion Mortgage offered by Fannie Mae to older homeowners to allow them to use the equity in their home to provide either a lump sum or periodic payments to themselves.

**HOME OWNER ASSOCIATION:**

A cooperative effort by property owners in a given neighborhood aimed at improving quality of life, providing a unified political voice or combating identified ills.

**HOME OWNER'S INSURANCE:**

Liability coverage for property owners covering both loss/damage to property or dwelling and personal liability.

**HOME RULE:**

Common name for the state's transferring of power to the local governments to pass regulations regarding land use.

**HOMEOWNER'S (HOMESTEAD) TAX EXEMPTION:**

A tax break for home owners offered in certain jurisdictions which sees property tax assessments reduced by a certain percentage as a result of the fact that the taxpayer resides in the property. May require evidence of the status of ownership to be filed periodically with taxing authority.

**HOMEOWNERS' ASSOCIATION:**

The non-profit organization that oversees the common elements in a planned unit development (PUD) or condominium project.

**HOMEOWNER'S ONCE-IN-A-LIFETIME TAX EXCLUSION:**

A capital gain exemption of the first \$125,000.00 in gains earned from the sale of a principal residence by a qualified taxpayer.

**HOMEOWNER'S WARRANTY (HOW) PROGRAM:**

A warranty program offered by a division of the National Association of Home Builders through certain builders. The program sets standards for construction and requires warranties ranging from one to ten years in duration on everything from minor defects in workmanship to major structural problems.

**HOMESTEAD DEED:**

A method of protecting some assets from creditors by registering a declaration on title to the owner's homestead property.

**HOMESTYLE MORTGAGE LOAN:**

A mortgage specifically designed to allow owners to improve their existing homes.

**Real Estate Glossary of Terms**

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**HOUSE-POOR:**

A description of the state of having very little disposable income after paying the financing and carrying costs of one's home.

**HOUSING AFFORDABILITY INDEX:**

National Association of Realtors analysis, issued on a monthly basis, of the ability of the average family to afford the average home with only 20% down.

**HOUSING AND URBAN DEVELOPMENT (HUD):**

Federal Agency charged with the duty of overseeing a number of enactments relating to housing in America.

**HOUSING ASSISTANCE COUNCIL (HAC):**

Funded by HUD, an agency designed to support low-income housing development in rural areas.

**HOUSING CODE:**

Municipal rules setting minimum standards for dwellings.

**HOUSING EXPENSE RATIO:**

A comparison of a family's monthly gross income with the carrying costs of their home.

**HOUSING FINANCE AGENCY:**

State body whose function is to provide loans to citizens who cannot obtain home ownership loans through normal channels.

**HOUSING STARTS:**

An economic indicator, the number of dwelling units (including apartments) on which construction is begun in a given period of time.

**HUD:**

See "Housing and Urban Development".

**HUD I SETTLEMENT STATEMENT:**

The form in which the costs of purchasing a home are itemized.

**HUD MEDIAN INCOME:**

Used in determining eligibility for various HUD programs, the average income for a family in a specific area.

**HUD-1 STATEMENT:**

See "HUD I Settlement Statement".

**HUNDRED PERCENT LOCATION:**

The benchmark for comparisons, the property location which provides the best rental income per square foot for a particular type of building.

**HYBRID MORTGAGE:**

A form of mortgage in which the compensation to the lender may include receiving income directly from the use of the property.

**HYPOTHECATE:**

To pledge as security for a mortgage an asset of which the pledgor retains possession (i.e. the dwelling upon which a mortgage is registered).

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**IMPLIED CONTRACT:**

An agreement which is not reduced to writing but is created, under the common law, on the basis of the behavior of the parties which suggests that they are acting under an agreement.

**IMPLIED WARRANTY:**

A guarantee of the condition of a thing or the truth of a statement which is created as a result of the actions of a party but not written down.

**IMPOUND:**

The portion of a borrower's periodic payment on a loan that is collected to pay for items other than principal, interest or penalties (such as realty taxes, insurance premiums, etc.).

**IMPOUND ACCOUNT:**

The trust account held by a lender into which payments for insurance, taxes, etc., paid by the borrower are placed prior to being disbursed by the lender.

**IMPROVED LAND:**

Also known as "developed land". Opposite of "raw or vacant land". Land which someone has, by dint of their labor, taken out of the state of nature.

**IMPROVEMENTS:**

Things added to vacant land with the view to increasing its usefulness and value, such as buildings, parking areas, drainage works, etc.

**IMPROVEMENT RATIO:**

A comparison of the value of the improvements of a property with the value of the property without the improvements.

**IMPUTED INTEREST:**

Interest which is deemed to have been charged on a loan by a court.

**IN REM:**

Latin term meaning "Against the thing." Used to describe a legal action which is taken against land rather than against the land owner, such as a bank's foreclosure on a defaulted mortgage.

**INCHOATE:**

Describes something that has been begun but never completed or a right that has arisen but is not yet enforceable (such as Dower rights).

**INCOME APPROACH:**

An appraisal technique whereby the potential of the property to produce income is used to assess its value.

**INCOME PROPERTY:**

A property which is owned or developed specifically to produce income for its owner.

**INCOMPETENT:**

Not capable, usually in the mental sense. When referring to a contract or will, a person who is not legally capable of signing and being bound to such a document.

**INCORPOREAL PROPERTY:**

Real estate in which a person has a legal interest but no right of possession and occupation.

**Real Estate Glossary of Terms**

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**INCURABLE DEPRECIATION:**

The presence of a defect in an asset (i.e. a building) which is too costly to fix.

**INDEMNIFY:**

To take responsibility for the losses and damages suffered by another person.

**INDEMNITY:**

A document in which one party agrees to take responsibility for the losses and damages suffered by another party or parties.

**INDENTURE:**

Similar to a contract. An agreement between two or more parties, often referring to land.

**INDEPENDENT APPRAISAL:**

An estimate of the value of a property prepared by someone who has no interest in the property or, if a mortgage is involved, in the lender.

**INDEPENDENT CONTRACTOR:**

A legal term for a person who is hired to do work for another person but who is not an employee or agent of that person. The hiring person is not responsible for the actions of the Independent Contractor nor does she owe that Independent Contractor the same legal duties owed by an Employer to an Employee under labor and employment laws.

**INDEX:**

Any rate published by an independent third party (the government, the federal bank, etc.) which serves as the base for calculating a variable item in a contract. (A Variable or Adjustable Rate Mortgage may use the Federal Bank's monthly prime interest rate as the index for the interest charged under that mortgage).

**INDEXED LEASE:**

A rental agreement where the amount of the rent to be paid changes in accordance with changes in a specified index (i.e. the cost of living index).

**INDEXED LOAN:**

Any loan whose interest rate is adjusted in accordance with a rate published by an independent third party (an "index").

**INDIRECT COSTS:**

Also known as "soft costs", those costs which are not automatically considered in a construction project.

**INDUSTRIAL PARK:**

A parcel of land specifically developed to provide lots for industrial activities.

**INDUSTRIAL PROPERTY:**

A plot of land used for a factory or other industrial use.

**INFRASTRUCTURE:**

Term for the public-use improvements made to an area such as sewers, roads, bridges, and public utility installations.

**INGRESS:**

The right to enter over a parcel of land not owned by you but not to occupy the land.

**Real Estate Glossary of Terms**

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**INHERITANCE TAX:**

An assessment payable to a level of government based on the value of assets inherited.

**INITIAL INTEREST RATE:**

The rate chargeable on a mortgage on the day it is signed.

**INITIAL RATE PERIOD:**

The period of time for which the "initial interest rate" is guaranteed on a Variable or *Adjustable Rate Mortgage* before it begins to change according to its "index".

**INJUNCTION:**

An order of a court to stop a party from committing the act specified in the order.

**INNER CITY:**

A slang term for the older, central residential area of a municipality which, in many cases, has deteriorated into poverty.

**INSIDE LOT:**

Term for a property that is not on a corner at the intersection of two roads.

**INSPECTION:**

A physical examination of a person, document or other thing, such as a home.

**INSPECTOR:**

Any person charged with the task of making a physical examination of a person, document or other thing. Could be employed by a government body (i.e. an electrical inspector, fire inspector) or by a potential purchaser (a home inspector).

**INSTALLMENT:**

A regular periodic payment.

**INSTALLMENT CONTRACT:**

Same as land contract.

**INSTALLMENT LOAN:**

A loan which is paid back in periodic payments.

**INSTALLMENT SALE:**

The sale of a property with the Vendor taking back a mortgage from the purchaser and paying the taxes on the sale proceeds as they are collected.

**INSTITUTIONAL LENDER:**

An accredited financial organization (i.e. a bank, trust company, credit union, etc.) which offers loans.

**INSTITUTIONAL MORTGAGE:**

A loan secured against real property offered to the land owner by a bank, credit union, trust company or other accredited financial organization. Opposite of "private mortgage".

**INSTRUMENT:**

A legal document in written form setting out certain rights of parties to it.

**INSURABLE INTEREST:**

A legal right to a property which results in the holder of that right suffering damages in the event of the destruction of the property.

**Real Estate Glossary of Terms**

The Goins Group, LLC

PO Box 5261 Lake Wylie, SC 29710

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**INSURABLE TITLE:**

Ownership of land which a Title Insurance Company is willing to insure.

**INSURABLE VALUE:**

The cost of replacement of all improvements to a property which could conceivably be destroyed.

**INSURANCE:**

A contract in which one party agrees to compensate another party for any losses or damages caused by risks identified in the contract in exchange for the payment of a lump sum or periodic amounts of money to the first party.

**INSURANCE BINDER:**

Written evidence that insurance is in effect with regard to the property and the risks set out in the binder. Temporary in nature, the binder assures coverage until permanent coverage can be arranged.

**INSURANCE COVERAGE:**

Term to describe the monetary limits and risks covered as set out in a contract or policy of insurance.

**INSURED CLOSING LETTER:**

A promise by a Title Insurance Company to a lender to pay for all costs and losses to the lender which might result from the actions of the Company's closing agent while closing a transaction.

**INSURED MORTGAGE:**

A loan secured against land for which an insurance policy exists promising to compensate the lender for all losses and costs resulting from the borrower's failure to meet her obligations under the loan agreement.

**INTER VIVOS:**

Latin meaning "during life". Used to describe a gift made during a person's lifetime (as opposed to a bequest in a will) or a trust.

**INTEREST:**

1. A person's legal right to an asset or property.
2. The cost of borrowing money, charged as a percentage of the outstanding amount owed.

**INTEREST ADJUSTMENT DATE:**

The date upon which the borrower is required to pay accrued interest on the borrowed principal under a mortgage, which date falls one full payment interval before the first payment date as set out in the agreement. For example, if a mortgage is advanced on May 15 to be paid on the first day of each month, June 1 would be the interest adjustment date and July 1 the first payment date. On June 1, the borrower would be required to pay the interest that has accrued on the principal since the date of the advance (May 15).

**INTEREST ACCRUAL RATE:**

The rate, stated as a percentage, at which interest accumulates on a mortgage.

**INTEREST PAYMENT:**

The portion of each periodic payment on a loan, expressed in dollars, which is allocated toward accrued interest.

**INTEREST RATE ADJUSTMENT PERIOD:**

The length of time between changes in interest rate on an Adjustable or *Variable Rate Mortgage*.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**INTEREST RATE BUY DOWN PLAN:**

A method of reducing the effective interest charged to a borrower. A third party (often a vendor) deposits a lump sum into an account, portions of which are then used to reduce the amount required from the borrower for each periodic payment over a set period of time.

**INTEREST RATE CAP:**

A clause in an Adjustable or *Variable Rate Mortgage* which limits the change in the interest rate charged. May limit change within a single adjustment period or over the life of the mortgage.

**INTEREST RATE CEILING:**

The highest rate of interest chargeable under a *Variable* or *Adjustable Rate Mortgage*, as set out in the mortgage contract.

**INTEREST RATE FLOOR:**

The lowest rate of interest chargeable under a *Variable* or *Adjustable Rate Mortgage*, as set out in the mortgage contract.

**INTEREST-ONLY LOAN:**

A debt for which the periodic payments are enough to pay only the interest which accumulates on the principal over the payment period. Principal is due at maturity.

**INTERIM FINANCING:**

1. A construction loan to pay for costs up to completion;
2. Another name for a bridge loan, a short-term loan designed to cover a gap of time between the purchase of a new home and the sale of the old when equity becomes available.

**INTERNATIONAL ARCHITECTURE:**

Simple style of house, with little or no ornamentation.

**INTERSTATE LAND SALES ACT:**

Federal law administered by HUD regulating the practice of the sale of land between people in different states.

**INTERVAL OWNERSHIP:**

Where title in a property is shared among a group of people, each of whom is entitled to occupation of the property for a specified period of time each year. Also known as "time-sharing".

**INTESTATE:**

1. A person who dies without leaving a will.
2. A description of having died without leaving a will.

**INVERSE CONDEMNATION:**

A court remedy for a private land owner whose interest or ownership in land has been interfered with or taken away outright by a governmental body.

**INVESTMENT PROPERTY:**

A piece of real estate that is owned for the purposes of financial gain, either through appreciation in value or through income from the property.

**INVOLUNTARY CONVERSION:**

Loss of land through natural forces or through government action.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**INVOLUNTARY LIEN:**

A claim registered against a property without the consent (and sometimes without the knowledge of) the owner of the land.

**IRREVOCABILITY DATE:**

Time and day specified in an offer until which the offeror may not retract the offer, until which the offeree may accept the offer.

**IRREVOCABLE:**

Unchangeable. Not able to be recalled.

**ITALIAN VILLA:**

A large, two- or three-storey house in the Latin style, with overhanging eaves and masonry construction.

**JOINT AND SEVERAL LIABILITY:**

When two or more people agree to take on the same obligation (such as a loan), they may each be responsible for a certain portion of the obligation or they may each be responsible for the entire obligation. When the contract states that liability is "joint and several", it means that all parties together are responsible for the obligation ("joint") but also that each party individually is responsible for the entire obligation on their own ("several"). The creditor may sue all of them or just one for the debt.

**JOINT OWNERSHIP AGREEMENT:**

A contract between two or more people who have an interest in the same piece of property which sets out their respective rights and obligations with regard to the property and also may set out the way in which the parties agree to manage the property.

**JOINT TENANCY:**

A way in which two or more people may hold title to property together. Owning as joint tenants means each owner has an equal right to the entire property, that none of the owners may sell, bequeath or encumber their portion of the property without the consent of the other owners and that, in the event of the death of one of the owners, the surviving owners automatically retain title to the entire property by "Right of Survivorship". Compare with "tenants in common".

**JOINT TENANTS:**

See "joint tenancy".

**JOINT VENTURE:**

A project which two or more persons undertake together, sharing the cost, the risk and the reward.

**JOINTURE:**

Made in lieu of dower, a freehold estate created in a property which lasts for the life of the widow which takes effect upon the death of the husband.

**JUDGMENT:**

A decision rendered by a court. If a monetary award is involved, it may become a lien on property owned by the losing party.

**JUDGMENT CREDITOR:**

A party who, by virtue of a court decision, is entitled to a monetary payment from another party.

**Real Estate Glossary of Terms**

The Goins Group, LLC

PO Box 5261 Lake Wylie, SC 29710

803-831-0056 Office \* 803-831-0805 Fax

**JUDGMENT DEBTOR:**

A party who, by virtue of a court decision, is required to make a monetary payment from another party.

**JUDGMENT LIEN:**

A general lien which applies to all property owned by a judgment debtor located in the county where the judgment is recorded.

**JUDICIAL FORECLOSURE:**

An enforcement action by a lender, the act of selling the property to recover the mortgage debt after obtaining judgment of a court.

**JUMBO LOAN (MORTGAGE):**

A loan for more money than the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation will fund under its mandate.

**JUNIOR LIEN (MORTGAGE):**

A claim against property which is behind at least one other lien in priority.

**JUNK FEES:**

Slang term for extra fees charged by a lender on a mortgage loan.

**JURISDICTION:**

The extent of authority:

1. of a court over a certain matter or person;
2. of a government organization over a territory.

**JUST COMPENSATION:**

Payment of a fair and reasonable amount for property taken from a private person by a government body.

**KEY LOT:**

A piece of property which is pivotal to the success of a proposed development.

**KEY TENANT:**

For a commercial or office development, the resident who attracts other residents or customers, such as a major chain store in a mall or a law firm in an office building. May gain favorable lease provisions as an incentive to lease space.

**KICKBACK:**

Gratuitous payment made to a person for a referral of business.

**KICKER:**

Additional compensation for a lender or investor, the right to share in the income from the property in addition to payments of principal and interest. Also known as "equity kicker" or "lender participation".

**KIOSK:**

Any small structure that stands alone, usually for the purpose of supplying a product or service (i.e. the attendant's booth in a parking lot, a lottery booth in the center of the promenade of a mall).

**LTV:**

Short form for "Loan-to-value ratio".

**Real Estate Glossary of Terms**

The Goins Group, LLC

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803-831-0056 Office \* 803-831-0805 Fax

**LAND BANKING:**

The practice of acquiring land now for future use.

**LAND CONTRACT:**

See "*Contract for Deed*".

**LAND LEASE:**

A rental agreement for the use of land but not the improvements thereon.

**LAND SALE LEASEBACK:**

An arrangement where a person sells property to another but immediately rents it from the purchaser.

**LAND SURVEYOR:**

A qualified professional who is trained to establish, measure and draw out the boundaries of properties and the improvements (buildings and other features) located thereon based on land records and site examinations.

**LAND USE PLANNING (REGULATION):**

An effort by a municipality to establish guidelines for the use and development of land within its boundaries.

**LAND USE SUCCESSION:**

The gradual change in the use of land in a neighborhood over a period of years.

**LAND/BUILDING RATIO:**

A comparison of the value of the land with the value of the improvements to that land.

**LANDLOCKED:**

A term describing a property that does not border on any public road.

**LANDLORD:**

Also known as "lessor". The owner of a property who allows other persons to occupy a property in exchange for periodic payments of rent.

**LANDMARK:**

Any object which is fixed to the ground and may serve as a guidepost for a survey or boundary. Also known as "monument".

**LANDSCAPE ARCHITECT:**

A professional designer of ground works who takes into consideration the need for drainage, utilities installations, buildings, grading while creating a pleasing appearance.

**LATE CHARGE:**

A fee or penalty to be paid to a lender for a payment which is delivered after it is due.

**LATENT DEFECTS:**

Problems with a property or building which are not visible to the casual observer but which may surface later. A vendor must disclose to a purchaser any serious latent defects of which he has knowledge.

**LEASE:**

A written agreement to rent a property or part of a property from the owner. Sets out premises rented ("demised premises"), amount to be paid, payment period, and other rights and obligations of the landlord and tenant.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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803-831-0056 Office \* 803-831-0805 Fax

**LEASE WITH OPTION TO PURCHASE:**

A rental contract which allows the tenant to purchase the property during the period of the lease. Payments under the lease may be credited (in whole or in part) against the purchase price.

**LEASE-PURCHASE MORTGAGE LOAN:**

A Fannie Mae loan which allows qualified persons to lease a property from a nonprofit organization with an option to purchase the home. Payments are made against the loan principal and interest but with a portion going into a savings account toward the purchase price.

**LEASED FEE:**

Description of the ownership interest in a property of a landlord who has rented the property to a tenant.

**LEASEHOLD ESTATE:**

An interest in a property for a period of time as specified under a rental contract.

**LEASEHOLD IMPROVEMENTS:**

Additions to a rented premises made by the tenant, often in the nature of a fixture, which may be removed by the tenant at the end of the lease term if no damage ensues to the premises and if the lease permits.

**LEASEHOLD MORTGAGE:**

A loan secured against a tenant's interest in a property.

**LEGAL AGE:**

Set by statute, the age at which a person ceases to be a minor and is able to contract on his own behalf.

**LEGAL DESCRIPTION:**

A description of a piece of real estate that is drafted according to legal requirements and which clearly and adequately establishes the identity of the property so described. Found in most instruments for registration on title to land.

**LEGAL NAME:**

Usually a person's full name as given at birth, may be changed by filing the proper forms and paying the appropriate fee.

**LEGAL NOTICE:**

Informing one or more persons of a fact, action or intention in a period of time and in a fashion required by a statute, contract or court order.

**LEGAL RESIDENCE:**

The place where one resides (may refer to a street address or, for income tax purposes, a country of residence).

**LEGAL TITLE:**

The bundle of rights of ownership that a person acquires in purchasing a piece of property, which may be defended against competing interests.

**LEGATEE:**

The beneficiary under a will.

**LENDER:**

Any individual or company which provides money to third parties in return for periodic payments of interest and principal over time.

**Real Estate Glossary of Terms**

The Goins Group, LLC

PO Box 5261 Lake Wylie, SC 29710

803-831-0056 Office \* 803-831-0805 Fax

**LENDER OPTION COMMITMENTS:**

A contract between a lender and potential borrower which allows a lender to provide certain loans at certain times on terms set out in the contract but also allows the lender to choose not to provide such loans.

**LENDER'S TITLE INSURANCE:**

A policy of Title Insurance which covers the interest of a lender on a mortgage registered on title to a property.

**LESS THAN FREEHOLD ESTATE:**

An interest in land which is limited to a certain period of time.

**LESSEE:**

A tenant under a lease.

**LESSOR:**

A landlord under a lease (the owner of the property being rented).

**LET:**

- *Verb* - To lease or rent part or all of a property to a third party.
- *Noun* - A served ball that strikes the net but still falls in to the service court in tennis.

**LETTER OF COMMITMENT:**

See "*commitment Letter*".

**LETTER OF CREDIT:**

An agreement between a bank and a borrower which allows the borrower to use money on the bank's credit.

**LETTER OF INTENT:**

A written indication to the owner of property that the writer will be making an offer to purchase the property.

**LEVEL-PAYMENT MORTGAGE:**

A land loan which requires regular, even payments.

**LEVY:**

To charge or assess a tax or charge.

**LIABILITIES:**

The debts or obligations of a person.

**LIABILITY INSURANCE:**

A contract made with an insurance company to cover costs arising out a person's responsibility for injuries to others.

**LIABLE:**

To be legally obligated or responsible for something or to someone.

**LIBER:**

Latin for "book", the volume in which land records are held.

**LIEN:**

A legal claim against property for moneys owed.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**LIEN HOLDER:**

The person who has the claim against the property.

**LIEN WAIVER:**

The surrender or passing up on one's right to a claim.

**LIFE CAP:**

The maximum interest rate chargeable under an *adjustable* or *variable rate mortgage* over its life.

**LIFE ESTATE:**

A limited right in a property, to use or occupy the property for the life of the person holding the estate after which title reverts to the grantor or a named third party.

**LIFE TENANT:**

A person who enjoys rights of occupation of property for life.

**LIFETIME PAYMENT CAP:**

The maximum increase or decrease in the amount of each periodic payment allowable over the life of an *adjustable* or *variable rate mortgage*.

**LIGATION BOND:**

A written promise made by a borrower for a sum of money in excess of the principal amount of the loan. The lender may sue the borrower on this promise.

**LIKE-KIND PROPERTY:**

Similar property.

**LIMITED LIABILITY:**

Responsibility or obligation which is restricted to the limits set out.

**LINE OF CREDIT:**

A very flexible form of loan in which the lender agrees to make a certain amount of money available to the borrower at a certain rate of interest. The borrower may use as much of the amount available as she wishes and may pay out all or any part of the amount owing at any time or re-borrow such funds at her leisure.

**LINEAL MEASUREMENT:**

The distance from one point to another measured in a straight line, along the ground.

**LINK:**

A lineal measurement equaling 7.92 inches.

**LIS PENDENS:**

Latin meaning "suit pending", a recorded notice of a legal claim which may affect ownership of a parcel of land.

**LIST:**

To place a property up for sale in the public forum, to add it to the list of properties for sale.

**LISTING BROKER (AGENT):**

The real estate professional who acts for the vendor in marketing a property for sale. As opposed to Selling Broker (Agent) -- the agent representing the purchaser.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**LISTING:**

The agreement that allows a real estate professional to market a property or the actual notice of the property's availability and features.

**LITIGATION:**

Legal action in pursuit or furtherance of a claim.

**LOAN:**

See also "*mortgage*". A transfer of money or other property from one party to another upon the expectation that the money or other property will be returned (often with additional payments as well).

**LOAN APPLICATION:**

The form completed by a potential borrower which provides information the prospective lender requires to assess the borrower's suitability for a loan.

**LOAN APPLICATION FEE:**

The charge paid by the borrower for the honor of requesting a loan and of having the lender consider the request.

**LOAN COMMITMENT:**

See "*commitment letter*".

**LOCATION:**

The most important factor in the value of a property.

**LOCK OR LOCK IN:**

Obtain a commitment from a lender to guarantee a certain interest rate or other loan feature for a set period of time.

**LOCK PERIOD:**

The time span over which the lender guarantees a feature of a loan.

**LOG CABIN:**

A dwelling made of unfinished logs, rough in texture, old-fashioned, rustic.

**LOSS MITIGATION:**

The duty of any person claiming damages against another person, actions designed to alleviate the injury suffered or to reduce the cost of that injury to that injured party.

**LOT:**

A measured section of land, often a particular parcel of land on a registered plan.

**LOT LINE:**

The legal perimeter of a parcel of property, often shown on a survey of the property.

**LOW-BALL OFFER:**

A slang term for an offer to purchase a property with an offered purchase price much lower than that asked for. An attempt to take advantage of pressures on the vendor to sell by asking him to accept much less than the property may be worth.

**MAINTENANCE COSTS:**

The expense of keeping a property in a good state of repair.

**Real Estate Glossary of Terms**

The Goins Group, LLC

PO Box 5261 Lake Wylie, SC 29710

803-831-0056 Office \* 803-831-0805 Fax

**MAINTENANCE FEE:**

Charge to a unit holder in a condominium or cooperative complex for that person's share of costs of keeping the common-use portions of the complex in a good state of repair.

**MAJORITY:**

1. More than 50%.
2. The age of majority is the age in years at which a community considers a human being capable of handling his own affairs and legally liable for his actions.

**MALL:**

Commonly used to refer to the entire shopping complex but properly a reference to the pedestrian area of the mall that connects shopping areas.

**MANAGEMENT AGREEMENT:**

A contract between an owner of a property and a property management firm in which the firm accepts periodic payments for acting as supervisor of the affairs of the property.

**MANAGEMENT FEE:**

The property manager's compensation.

**MANAGEMENT PLAN:**

A written document in which the property manager sets out its goals and the approaches it will use to accomplish those goals in a given period of time for the property.

**MANDATORY DELIVERY COMMITMENT:**

A lender's written promise to deliver certain funds at specified dates upon terms set out in the commitment.

**MANUFACTURED HOUSING:**

Known as "pre-fab" housing, any dwelling that is assembled out of components (i.e. walls, floors, roof) constructed off-site and then brought to the building lot.

**MARGIN:**

The difference or the added amount. In mortgages, the difference between the index interest rate and the interest rate charged on the variable or adjustable rate mortgage. Expressed in the contract as a percentage (i.e. "prime plus three per cent").

**MARGINAL LAND:**

Land whose value is limited. The cost of making it capable of producing income is generally very close to the income it would produce.

**MARINA:**

A facility located on a body of water which provides docking, storage, maintenance and other facilities for boats.

**MARKET PRICE:**

The consideration actually paid for an asset in an arm's-length transaction.

**MARKET RENT:**

Also known as economic rent, the amount the owner could charge and obtain for the lease of a property in the current economic circumstances.

**MARKET RENTAL RISK:**

The possibility that the market rent for a property will change due to changing market forces, making a long-term, fixed rent lease more or less desirable.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**MARKET SEGMENTATION:**

Analyzing sub-markets within a greater market.

**MARKET STUDY:**

An analysis of the reaction of the market to influences such as location, demand, extra-market economic events, etc.

**MARKET VALUE:**

An estimation of the price that could be obtained for a particular asset if it were sold in an arm's length transaction on the current market.

**MARKETABLE TITLE:**

Ownership of land that is without competing claims or other defects, such that it could be sold without complication.

**MARKETING PLAN:**

A written description of how a salesperson intends to advertise a given property to obtain the best price within a reasonable time.

**MASTER ASSOCIATION:**

An organization of homeowners in a large condominium or planned unit development (PUD) which includes representatives from other, smaller homeowner organizations.

**MASTER LEASE:**

The dominant lease in a property, under which one or more sub-leases may exist.

**MATERIAL BREACH:**

A contravention of the terms of a contract by one of the parties that is so large that it changes the very nature of the agreement between the parties and allows the innocent party to treat the contract as being at an end and pursue legal remedies (recision, damages, specific performance) from the contravening party.

**MATERIAL FACT:**

An important fact about one or more of the issues involved in the contract which, if known to all parties, may result in a different contract or no contract at all.

**MATURITY DATE:**

The date upon which a mortgage loan comes due and payable.

**MEAN HIGH TIDE:**

The level to which the water rose on an average day over a previous period of time (years or decades).

**MEANDER LINES:**

A vivid description of the measurement used in surveying to set out the boundary of a water course (i.e. a stream or river).

**MECHANIC'S AND MATERIALMAN'S LIENS:**

A claim against property that arises as a statutory right of any person who supplies work or materials to a property and is not compensated for that work. See also "*construction lien*".

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**MEETING OF THE MINDS:**

In order for a contract to be enforceable, the parties to it must come to a common understanding of the terms of their agreement. If no such common understanding has occurred with regard to a material clause in the contract, the contract may be voidable. This common understanding is referred to at common law as a "meeting of the minds".

**MEGALOPOLIS:**

A spiffy new term for urban sprawl, situations where the expansion of several cities in a particular area has created one continuous city, even if the different parts retain their own name (Boston, New York, Philadelphia, etc.).

**MENACE:**

Coercion, pressure. A threatening act which is aimed at forcing a person to act against their wishes.

**MERGER:**

The combining of two or more independent bodies into a single body.

**MERIDIANS:**

Used in government survey method, lines which form the north-south portion of the grid.

**METER:**

Also known as metre. The metric system's basic unit for linear measurement, equal to 39.37 inches. 1/10th of a meter is a decimeter; 1/100th is a centimeter; 1/1000th is a millimeter.

**METES AND BOUNDS:**

An older way of describing land in registered instruments. Starting at a recognizable point (the meeting of two roads, the corner of a lot), the description then describes the boundaries of the land by indicating distances and directions for each boundary (i.e. "South 100 feet" or "South 73 degrees, five minutes west for a distance of 100 feet"), returning at the end of the description to the beginning point.

**METROPOLITAN AREA:**

The land which is located in a city and in the surrounding areas which can be said to be still part of the economic or political sphere of the city.

**MIDDLEMAN:**

A slang description for a person who acts to bring together the parties to a transaction.

**MILE:**

Linear measurement equaling 5,280 feet, 1,760 yards, 1,609 kilometers, or 8 furlongs. Note, a nautical mile is equal to 6,080 feet.

**MILITARY CLAUSE:**

A term of a residential lease which allows a tenant who is a member of the military to terminate the lease upon being transferred to another place without suffering any penalty.

**MILL:**

10 per cent of a penny. In many jurisdictions, property tax assessments are based on a mill rate.

**MINERAL DEED:**

An instrument which transfers to the purchaser only an interest in the subsurface portion of the property, while retaining to the vendor the surface and *air rights*.

**Real Estate Glossary of Terms**

The Goins Group, LLC

PO Box 5261 Lake Wylie, SC 29710

803-831-0056 Office \* 803-831-0805 Fax

**MINERAL LEASE:**

A contract between the owner of a property and another party allowing the other party to explore and exploit any mineral deposits found on the property for a limited period of time in return for a periodic payment.

**MINERAL RIGHTS:**

The legal interest in the valuable items found below the surface of a property.

**MINIMUM DOWNPAYMENT:**

The least amount of money a purchaser can provide toward the purchase price of a house under a mortgage loan program.

**MINIMUM LOT SIZE:**

The smallest size allowable for an independent parcel of property under a zoning by-law or ordinance provision.

**MINIMUM PAYMENT:**

The lowest amount a borrower is allowed to pay toward a loan, line of credit or other debt in a given period of time.

**MINIMUM PROPERTY STANDARDS:**

The bare essentials in the way of construction and lot location required by the Federal Housing Administration (FHA) before it will underwrite a mortgage on a residential property.

**MINIMUM RENT:**

The lowest amount the landlord will accept under a lease contract with a variable rent.

**MINIMUM-GUARANTEED PERCENTAGE LEASE:**

A lease whereby the landlord is paid periodic rent as a percentage of the gross (or net) sales of the tenant of the premises but where the tenant agrees that the rental payments shall not drop below a specified amount.

**MINOR:**

A person who is too young to be considered legally competent according to the laws of the jurisdiction.

**MISNOMER:**

An error regarding a name.

**MISREPRESENTATION:**

A statement of a fact that turns out to be false. May be innocent, negligent or fraudulent.

**MISTAKE:**

An innocent error. If a mistake is made by all parties to a contract about a material fact, the contract may be voidable.

**MIXED-USE COMMERCIAL PROJECT:**

A development which is designed to mix two or more "uses" of land together (i.e. a shopping center which offers office space for dentists, etc.)

**MOBILE HOME:**

A dwelling that sits on wheels and may be moved, often under its own power.

**Real Estate Glossary of Terms**

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**MOBILE HOME PARK:**

An area specifically designed to allow for permanent or semi-permanent stationing of mobile homes.

**MODEL HOME:**

A dwelling built first by a developer to allow potential purchasers to see what the finished product will look like once the other homes in the development are completed.

**MODIFICATION:**

A change to the terms of a contract.

**MODULAR HOUSING:**

See "*manufactured housing*".

**MONUMENT:**

Any kind of marker to indicate the boundary or corner of a parcel of land, used by surveyors.

**MONTHLY DEBT SERVICE:**

The periodic payments required to remain current on all outstanding loans.

**MONTHLY FIXED INSTALLMENT:**

Periodic payment that is applied toward accumulated interest and reduction of principal.

**MONTHLY HOUSING EXPENSE:**

The total of the costs of maintaining a home per month, including financing, realty taxes and house insurance.

**MONTHLY TOTAL EXPENSES:**

The total when monthly housing expense is added to monthly debt service.

**MORATORIUM:**

A temporary ban or halt to a specific activity.

**MORE OR LESS:**

A term used in metes and bounds descriptions and in Agreements between Vendors and Purchasers of land to indicate that the measurement given may not be exact.

**MORTGAGE:**

A loan which is secured against property (i.e. registered on title as a claim or encumbrance on the property). Often used to purchase the property itself.

**MORTGAGE BACK:**

Also known as a "*vendor take-back mortgage*". Financing of a purchase of property whereby the vendor accepts only a portion of the purchase price up front and accepts a mortgage (with periodic payments and interest chargeable) for the remainder.

**MORTGAGE BANKER:**

A firm that offers mortgages for property purchases but, at times, may require financial support from larger institutions to help cover the outlay of cash.

**MORTGAGE BROKER:**

A middleman who serves to bring borrowers together with lenders. Offers the service of doing the shopping for the borrower while often collecting a fee from the chosen lender rather than from the borrower.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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803-831-0056 Office \* 803-831-0805 Fax

**MORTGAGE COMMITMENT:**

See "*commitment letter*".

**MORTGAGE CORRESPONDENT:**

An authorized agent of a lender for a geographic area.

**MORTGAGE DISABILITY INSURANCE:**

A policy of insurance which promises to pay periodic mortgage payments for the borrower during any future period that borrower may be disabled from working and, therefore, incapable of making the payments himself.

**MORTGAGE INSURANCE:**

A policy of insurance which promises to pay out the amount owing in the event that the borrower defaults.

**MORTGAGE INTEREST DEDUCTION:**

A tax break for people who pay mortgage interest on their homes.

**MORTGAGE LIFE INSURANCE:**

A policy of insurance which promises to pay out the remaining balance owing on a mortgage should the borrower die. The amount payable by the insurer declines as the mortgage is paid down and the policy ends upon the paying out of the mortgage.

**MORTGAGE LOAN SERVICING:**

The lender's actions in collecting mortgage payments, allocating payments to principal, interest and escrow accounts, paying out property taxes and insurance over the life of the loan.

**MORTGAGE LOAN UNDERWRITING:**

The action of reviewing an application for a loan and then advising the lender as to the risk factor in making the loan.

**MORTGAGE PROGRAM:**

The bundle of features of a particular kind of mortgage offered to the public.

**MORTGAGE VALUE:**

The estimate worth of a particular asset which is established for the purposes of obtaining financing secured against that asset.

**MORTGAGEE:**

The lender in a mortgage transaction. Also known as "*chargee*".

**MORTGAGEE IN POSSESSION:**

A lender that has taken over control and occupancy of a property upon default of the borrower to collect income from the property and prepare for foreclosure and sale.

**MORTGAGOR:**

The borrower, purchaser or homeowner in a mortgage transaction. Also known as "*chargor*".

**MOST PROBABLE SELLING PRICE:**

An estimation of the price a property is most likely to realize in a given market.

**MULTI-DWELLING UNITS:**

A property which may have one owner but offers a number of homes for separate people or families.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**MULTIFAMILY HOUSING:**

Similar to multi-dwelling units, a building which features two or more family dwellings within the same structure. May require special zoning.

**MULTIPLE DWELLING:**

Also known as multi-dwelling unit.

**MULTIPLE LISTING SERVICE (MLS):**

A service created and run by real estate professionals which gathers all of the property listings into a single place so that purchasers may review all available properties from one source. The MLS also deals with commission splitting and other relations between brokers and agents.

**MUNICIPAL ADDRESS:**

The city, street and number on the street by which a property is known. Also known as "mailing address" but not the same as "legal description".

**MUNICIPAL ORDINANCE:**

A rule set down by a local government.

**MUNICIPALITY:**

A generic name for any organized local government (a city, town, etc.).

**MUNIMENTS OF TITLE:**

Written documents which may be used to prove an owner's title to a property.

**MUTUAL ASSENT:**

A shared acceptance by two or more parties.

**MUTUAL RESCISSION:**

The act of ending a contract by obtaining the agreement of all parties to the contract to treat the contract as being at an end.

**NATIONAL APARTMENT ASSOCIATION (NAA):**

Organization of apartment owners.

**NATIONAL ASSOCIATION OF CORPORATE REAL ESTATE EXECUTIVES (NACORE):**

Organization of business people involved in transactions dealing with property owned by corporations.

**NATIONAL ASSOCIATION OF HOME BUILDERS (NAHB):**

Organization of home builders.

**NATIONAL ASSOCIATION OF INDEPENDENT FEE APPRAISERS (NAIFA):**

Organization of real estate appraisers, offering professional designations to qualified persons.

**NATIONAL ASSOCIATION OF MASTER APPRAISERS:**

Organization of real estate appraisers, offering the professional designation of "master appraiser".

**NATIONAL ASSOCIATION OF REAL ESTATE BROKERS (NAREB):**

Organization of real estate salespersons and brokers.

**NATIONAL ASSOCIATION OF REAL ESTATE LICENSE LAW OFFICIALS (NARELLO):**

Organization of members of state real estate licensing agencies.

**Real Estate Glossary of Terms**

The Goins Group, LLC

PO Box 5261 Lake Wylie, SC 29710

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**NATIONAL ASSOCIATION OF REALTORS (NAR):**

Organization of Realtors.

**NATIONAL ASSOCIATION OF REVIEW APPRAISERS AND MORTGAGE UNDERWRITERS:**

Organization offering professional designations.

**NATIONAL REALTY COMMITTEE:**

Government lobby group for large land owners and developers.

**NATIONAL SOCIETY OF REAL ESTATE APPRAISERS:**

Organization of real estate appraisers, offering professional designations.

**NATURAL VACANCY RATE:**

The normal, average or traditional percentage of rental properties in a community that are not leased or occupied.

**NEGATIVE AMORTIZATION:**

When the periodic payments on a loan are not sufficient to pay the interest which has accumulated during the previous period resulting in an increase rather than a decrease in the amount owing on the mortgage.

**NEGATIVE AMORTIZATION CAP:**

A limit, expressed as a percentage of the principal, of the negative amortization allowed under a *variable* or *adjustable rate mortgage*.

**NEGATIVE CASH FLOW:**

When a business or property generates less money in a given period than the cost of operating and maintaining it.

**NEGOTIABLE INSTRUMENT:**

A document which has a cash value which may be traded, given or sold.

**NEGOTIABLE RATE MORTGAGE:**

See *adjustable rate mortgage* or *variable rate mortgage*.

**NEGOTIATION:**

The act of discussing an issue between two or more parties with competing interests with an aim of coming to an agreement.

**NEIGHBORHOOD LIFE CYCLE:**

The pattern of development and change of a neighborhood over a period of time.

**NEIGHBORHOOD:**

An area of a municipality which is identifiable by a common use, a common atmosphere or a common business area.

**NET CASH FLOW:**

The amount of money leftover from the income of a property after all costs and expenses of the property have been paid.

**NET EFFECTIVE INCOME:**

A person's gross pay minus federal taxes.

**NET INCOME:**

The amount of money left over after all costs and expenses have been paid.

**Real Estate Glossary of Terms**

The Goins Group, LLC

PO Box 5261 Lake Wylie, SC 29710

803-831-0056 Office \* 803-831-0805 Fax

**NET LEASABLE AREA:**

The area in a building which is available for rent to tenants (excludes common areas, wasted space, etc.).

**NET LEASE:**

A rental agreement wherein the tenant pays a portion of the expenses of the property in addition to the rent set out in the agreement; the landlord receives the full amount of the rent paid with no liability for expenses.

**NET LISTING:**

The marketing for sale of a property under an agreement between the agent and the owner in which the parties agree to a sale price (the net price). The vendor is guaranteed to receive the net price while the agent's commission is equal to the amount in excess of the net price for which the property actually sells. May not be legal in some jurisdictions.

**NET OPERATING INCOME (NOI):**

The income from a property or business left over after the costs of operating the property or business have been paid.

**NEW ENGLAND COLONIAL:**

A two and a half storey, early-American house which is generally symmetrical in shape with a shingle-covered gable roof, often made of clapboard siding.

**NEW ENGLAND FARMHOUSE:**

Another simple, symmetrical, early-American house, often with a steeply inclined roof and white siding.

**NEW TOWN:**

A planned community in which a large, undeveloped parcel of land is designed and built as an independent community along a carefully structured plan.

**NO BID:**

Where the VA chooses not to acquire a property in foreclosure upon default but instead to pay out on the amount it has guaranteed of the mortgage (generally 60% of the principal).

**NO CASH-OUT REFINANCE:**

The replacement of a matured loan with a new loan where no additional principal is borrowed and added to the loan.

**NO CHANGE SCENARIO:**

A method of calculating the future payments required under a variable or *adjustable rate mortgage* on the assumption that the index (and therefore the interest chargeable on the mortgage) will not change.

**NO MONEY DOWN:**

Slang description of real estate purchase strategies which allow the purchaser to obtain title to a property while paying little or no money of her own.

**NOMINAL LOAN RATE:**

The interest rate stated on the loan agreement.

**NON-ASSUMPTION CLAUSE:**

A term of a mortgage contract that forbids the transfer of the mortgage to a new owner without prior consent of the lender.

**Real Estate Glossary of Terms**

The Goins Group, LLC

PO Box 5261 Lake Wylie, SC 29710

803-831-0056 Office \* 803-831-0805 Fax

**NON-CONFORMING LOAN/MORTGAGE:**

A mortgage or loan that is not eligible for Fannie Mae (FNMA) or Freddie Mac (FHLMC) programs.

**NON-CONFORMING USE:**

The occupation and use of a property in a fashion which is contrary to the zoning regulations for the property. A Legal Non-conforming Use is one where the non-conforming use predates the zoning by-law such that, as long as it is continued, it is legal.

**NONDISTURBANCE CLAUSE:**

A term of a mortgage which guarantees that leases regarding the subject property will be allowed to continue uninterrupted in the event of mortgage default.

**NONEXCLUSIVE LISTING:**

A real estate listing to which no one agent or broker has claim.

**NON-PERMANENT RESIDENT ALIEN:**

A category of person who lives and works in the U.S. but is expected to return to her country of origin in the future. May face certain restrictions when it comes to qualifying for a mortgage.

**NORMAL WEAR AND TEAR:**

Damage to the condition of an asset which results from use and the passage of time.

**NOTARIAL COPY:**

A facsimile of a document which has been examined by a Notary Public and certified to be an accurate reproduction of the original.

**NOTARIZE:**

To confirm the signature of another in one's official capacity as a notary public.

**NOTARY PUBLIC:**

A designation authorized by law and administered by the government, allowing a designated person to verify and certify signatures and copies of documents.

**NOTE:**

A written instrument of indebtedness, promising to pay a certain person a particular sum of money upon stated terms.

**NOTE RATE:**

The interest rate as set out in the mortgage/loan contract.

**NOTICE:**

Written warning to another of a person's intention to do something or take some (legal) action.

**NOTICE OF DEFAULT:**

The written notice sent by a lender to a borrower stating that the borrower has not met his obligations under the loan contract and the lender may take legal action to enforce the agreement.

**NOTICE TO QUIT:**

A notice from a landlord to a tenant ordering the tenant to leave the property.

**NOTORIOUS POSSESSION:**

Occupation and control of a property which is obvious and accepted by the public. May lead to a claim of title under the rules of *adverse possession* if the possessor is not the owner of the property.

**Real Estate Glossary of Terms**

The Goins Group, LLC

PO Box 5261 Lake Wylie, SC 29710

803-831-0056 Office \* 803-831-0805 Fax

**NOVATION:**

The substitution of a new person for one of the parties to an agreement, on consent of all people involved.

**NUISANCE:**

A legal term referring to any use of land which interferes with the use and enjoyment of neighboring lands. A nuisance may be actionable by the injured party.

**NULL AND VOID:**

Unenforceable, no longer of any effect. A contract for which a condition precedent has failed is considered "null and void".

**OBJECTION:**

The statement by the Purchaser of a concern regarding title to the subject property which the Purchaser requires the Vendor to correct before closing. Also known as "requisition".

**OBLIGEE:**

The lender in a loan transaction -- the person to whom, as a result of her actions, another person owes an obligation. See also "*mortgagee*" or "*chargee*".

**OBLIGOR:**

The borrower in a loan transaction -- the person who owes an obligation to another.

**OBSOLESCENCE:**

The loss of value or usefulness resulting from advances in technology and the passage of time.

**OCCUPANCY:**

The physical control and possession of a building or property.

**OCCUPANCY PERMIT:**

Issued by local building departments, permission to enter and occupy a newly built or renovated dwelling after an inspection has established that there are not potential threats to the safety of occupants.

**OCCUPANCY RATE:**

The percentage of available rental space that is actually rented and in use in a given building or community.

**OFFER:**

To make available, to express a willingness (whether in writing or orally), in the case of real estate, to inform another party of your willingness to sell or buy a specific property on terms set out in your offer. An offer, once made, may be accepted at any time before it is rescinded. Once accepted, the offer and acceptance generally form a binding contract.

**OFFER AND ACCEPTANCE:**

Components of a contract, applicable to the real estate situation where a Purchaser may make an offer on a property and the Vendor may accept that offer.

**OFFER TO PURCHASE:**

A written expression of a person's willingness to purchase a certain property on terms expressed in the offer.

**OFFER TO SELL:**

In general, a written expression of a person's willingness to sell a certain property on terms expressed in the offer.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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803-831-0056 Office \* 803-831-0805 Fax

**OFFEREE:**

The person who receives an offer.

**OFFEROR:**

The person who makes an offer.

**OFFICE OF INTERSTATE LAND SALES REGISTRATION:**

A HUD agency which has the responsibility for enforcing the Interstate Land Sales Full Disclosure Act.

**OFFICE PARK:**

Similar to an industrial park but for offices, a property designed and developed specifically to attract corporate offices and provide them with all facilities required to carry on business.

**OFFICIAL MAP:**

The pictorial depiction of the land-use control areas of a municipality used by the local government.

**OFF-SITE COSTS:**

Expenditures for facilities required by a particular development but located elsewhere (such as streets, schools, sewers and waste disposal facilities).

**OFF-SITE IMPROVEMENTS:**

Facilities which are required for the use and development of a particular property but which are located elsewhere.

**OFF-STREET PARKING:**

Spaces for cars which are located on private property rather than on public streets. Local by-laws may require that any new commercial, residential or retail development provide a certain number of parking spaces as part of the development.

**OIL AND GAS LEASE:**

An agreement in which a property owner allows another person to exploit any oil or gas deposits on the land for a certain period of time in exchange for periodic payments.

**ON OR ABOUT:**

Legalese way of noting that the exact date of an event has not been determined.

**ON-SITE IMPROVEMENTS:**

Work completed on a property which adds to its value or utility.

**OPEN AND NOTORIOUS:**

See "*notorious*".

**OPEN END MORTGAGE:**

A loan which is specifically drafted to allow the borrower to borrow further funds at a later date without requiring the preparation and registration of new mortgage documentation.

**OPEN HOUSE:**

An advertised period of time in which a property which is for sale is available for inspection by prospective purchasers.

**OPEN LISTING:**

An agreement whereby the owner of the property may enlist more than one broker to attempt to sell the property and the commission is payable only to the successful agent.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**OPEN MORTGAGE:**

A mortgage which may be prepaid in full or in part at any time during that life of the mortgage without notice, bonus or penalty.

**OPEN SPACE:**

Empty or vacant land, often parkland which is considered an amenity for surrounding residences.

**OPERATING EXPENSES:**

Periodic expenses payable on an income-producing property that are directly attributable to the use of the property for the purpose of producing income.

**OPERATION OF LAW:**

The effect of a given statute or rule upon a situation. For example, a joint tenant becomes the sole owner of a property by operation of law upon the death of the other joint tenant.

**OPTION RISK:**

The downside of giving a borrower an option, such as the possibility that she may prepay an open mortgage and reduce the income generated to the lender by the accumulation of interest over the life of the mortgage.

**OPTION TO PURCHASE LEASED PROPERTY:**

A clause of a rental agreement allowing the tenant the right to buy the leased property upon terms and conditions set out in the agreement.

**ORAL CONTRACT:**

A legally binding agreement created by spoken words rather than reduced to writing. In many jurisdictions, oral contracts with regard to land are unenforceable in any circumstance.

**ORDINANCE:**

A rule or by-law enacted by a local government.

**ORIGINAL EQUITY:**

The owner's original down payment on a property.

**ORIGINAL FACE VALUE:**

The principal amount owed on a mortgage on the date of its negotiation as shown on the "face" of the agreement.

**ORIGINAL PRINCIPAL BALANCE:**

See "original face value".

**ORIGINATION FEE:**

See "*commitment fee*".

**OSTENSIBLE AUTHORITY:**

The suggestion that one person has the right to act on behalf of another person created by the actions of the "agent" and the inactivity or lack of protest of the "principal".

**OUTBUILDING:**

A structure that is not a part of the main building but is necessary to the full enjoyment of the property (i.e. a shed, garage, etc.).

**Real Estate Glossary of Terms**

The Goins Group, LLC

PO Box 5261 Lake Wylie, SC 29710

803-831-0056 Office \* 803-831-0805 Fax

**OUTSTANDING BALANCE:**

The amount of money (including principal and interest) owing at a given date on a loan or mortgage.

**OWNER FINANCING:**

See "*mortgage back*" or "*vendor take-back mortgage*".

**OWNER OCCUPIED:**

Any property where the owner resides in all or part of the property.

**OWNER'S TITLE INSURANCE:**

A title insurance policy which covers the owner of the property from title defects and other flaws which were not apparent at the time of the purchase.

**PACKAGE MORTGAGE:**

A loan secured against both land and chattels.

**PAD SITE:**

An independent location for a retailer that may be near to but not part of a mall or shopping center.

**PAPER PROFIT:**

A description of the increase in the value of an asset that has not been realized (i.e. the asset has not been sold so that owner does not enjoy the profit).

**PAPER:**

Slang term for a loan note given instead of a cash payment.

**PARCEL:**

Another word for a piece of land.

**PARCEL REGISTER:**

The abstract index for a property registered in the Torrens System of land registration.

**PAROL:**

Not written, verbal.

**PAROL CONTRACT:**

An agreement that is not reduced to writing, that is created through spoken words.

**PAROL EVIDENCE RULE:**

A legal rule of evidence. A court will not allow evidence of oral discussions which purport to modify a written contract.

**PARTIAL INTEREST:**

Ownership of property that is less than 100% or on a lower level than fee simple.

**PARTIAL PAYMENT:**

Any payment which is insufficient to meet the full amount required.

**PARTIAL RELEASE:**

A document signed by the mortgagees holding a *blanket mortgage* registered on title to several properties which removes the mortgage from title to just one of the properties.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**PARTIAL TAKING:**

Where a government body takes only a portion of a landowner's land or rights to land by condemnation.

**PARTIALLY AMORTIZED MORTGAGE:**

A very common form of mortgage in which the term is less than the *amortization* period such that, at the maturity date, the mortgage is not fully paid out and either refinancing or a large *balloon payment* is required.

**PARTICIPATION (OR PARTICIPATING) MORTGAGE:**

A mortgage in which the lender is entitled to a stated share of the income of the property or of sale proceeds.

**PARTITION:**

An court ordered division of property owned by two or more owners, may take the form of a physical division of the property or a forced sale and division of the proceeds.

**PARTNERSHIP:**

A form of business enterprise where two or more persons join together without forming a corporation. The partners are capable of binding each other to contracts, are liable for each other's actions.

**PARTY WALL:**

A shared wall between two pieces of property, most often in row-houses, semi-detached houses, or townhouses. The shared wall generally stands on the property line.

**PASSIVE SOLAR HEATING:**

The maximization of the sun's heating abilities through careful design of a building.

**PATENT:**

The initial transfer of title to land from government to private ownership.

**PAY OUT:**

To provide the lender with the total amount then required to retire a loan obligation.

**PAYMENT ADJUSTMENT INTERVAL:**

The period of time between changes in the amount of each periodic payment on a variable or *adjustable rate mortgage*.

**PAYMENT CAP:**

A term of some *variable* or *adjustable rate mortgages* in which the level to which the monthly payment may rise is limited to a certain dollar figure.

**PAYMENT CHANGE DATE:**

The date when the amount of each payment under an adjustable, variable or graduated payment mortgage changes.

**PAYMENT DECREASE CAP:**

A contractual limit on the amount of each periodic payment may drop at any one payment change date. Expressed as a percentage.

**PAYMENT INCREASE CAP:**

A contractual limit on the amount of each periodic payment may rise at any one payment change date. Expressed as a percentage.

**Real Estate Glossary of Terms**

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**PAYMENT PENALTY:**

Also known as "prepayment penalty" or "early payment penalty", the fee paid by a borrower when she pays out some or all of the principal of a loan at a time when such a payment is not allowed under the terms of the loan.

**PRIME TENANT:**

The biggest tenant in a commercial complex. Also known as "key tenant" or "*anchor tenant*".

**PENALTY:**

Fine for breaching a rule, term of a contract or law.

**PENTHOUSE:**

The dwelling(s) located at the top of a tall building, often luxurious.

**PER STIRPES:**

Latin term, meaning by representation. A method of dividing an estate equally among the heirs of the deceased. If an heir has predeceased, her share is divided equally by her linear descendants.

**PERC TEST (PERCOLATION):**

A method of determining the ability of the soil of a property to absorb liquids, used in construction projects and for septic systems.

**PERCENTAGE LEASE:**

A rental agreement in which the tenant's monthly payment is a percentage of the gross sales of the tenant's business (although a minimum payment is usually set out in the agreement).

**PERFORMANCE:**

Meeting one's obligations under a contract or agreement.

**PERFORMANCE BOND:**

A written promise from an insurance company, stating that if a given person does not complete work required under a contract, the insurer will pay someone else to complete the work or pay damages.

**PERIODIC PAYMENT CAP:**

See "*payment cap*".

**PERIODIC RATE CAP:**

See "*rate cap*".

**PERMANENT LOAN/MORTGAGE:**

A long-term mortgage, often registered after construction is complete and the property is occupied. Also known as "end loan."

**PERMIT:**

The government body's written permission to do something which is regulated by that body.

**PERPETUITY:**

Endlessness. Forever. Many jurisdictions have laws against tying up a title to a property in perpetuity.

**PERSON:**

A legal term referring to any entity which is capable of entering a contract or suing and being sued. Generally, an adult, mentally capable human being, an incorporated company, a partnership or a government body.

**Real Estate Glossary of Terms**

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**PERSONAL PROPERTY:**

Items owned by someone which are not land.

**PERSONAL RESIDENCE:**

A person's home, used to establish their place for voting, taxation and other civic issues.

**PERSONALTY:**

See "personal property".

**PIPELINE RISK:**

Slang term describing the possibility that a lender will lose money as a result of committing to a loan at a given interest rate only to see interest rates rise in the interim before the loan transaction is closed.

**PIPESTEM LOT:**

See "*flag pole lot*". A piece of land connected to a street by a long, narrow strip of land.

**PITI RESERVES:**

The amount of extra money a borrower must have to cover the cost of principal, interest and taxes on a mortgage for a set number of months.

**PLAINTIFF:**

The person who sues in court. The person who makes a legal claim. As opposed to "defendant".

**PLANNED UNIT DEVELOPMENT (PUD):**

A housing development where a homeowner's association administers common property owned and shared by all dwelling owners in the project. Dwellings are often clustered to allow for more common space and special zoning is required for this kind of development.

**PLANNING COMMISSION:**

An appointed board which conducts hearings to consider applications for minor variances of planning ordinances. Also known as "Planning Board", "Zoning Board", etc.

**PLAT BOOK:**

A public record of plans, street maps, etc.

**PLAT:**

A detailed map which sets out lots, streets, common areas and other features of a tract of land.

**PLEGGED ACCOUNT MORTGAGE (PAM):**

The payment of funds into a pledged account to be used to reduce mortgage payments at a later date.

**PLOT PLAN:**

A survey-like diagram of a property showing current or planned improvements and uses of the land.

**PLOTTAGE:**

The act of acquiring a number of smaller, adjacent parcels to create one larger, more useful plot of land.

**POCKET CARD:**

Identification required by most state's licensing commissions for real estate salespersons and brokers.

**Real Estate Glossary of Terms**

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**POINT:**

Equal to 1% of the principal of a mortgage, a charge levied on the borrower by the lender for originating the mortgage as prepaid interest. Also known as "loan discount points".

**POOL:**

1. Gather into a group for greater effectiveness.
2. An artificial body of water for recreational swimming.

**POSSESSION:**

The state of occupying, controlling, using property to the exclusion of all others, exhibiting one's right or title to property.

**POTENTIAL GROSS INCOME:**

The amount of money that a property will generate if it is fully utilized with no gaps, vacancies or other interruptions in income.

**POWER OF ATTORNEY:**

A document, signed by the donor in front of witnesses, authorizing another person to act on the donor's behalf and to bind the donor to those actions.

**POWER OF SALE:**

Generally the fastest and cheapest mortgage enforcement method open to lenders. A common clause in a mortgage agreement which gives the lender the right to take over and sell the property to cure the borrower's default. The sale proceeds are allocated first to principal and interest, then to penalties, then to the lender's costs in exercising the power, then to other registered claimants and finally to the borrower if there is any left.

**PRAIRIE HOUSE:**

A long low house of the early twentieth century style, with a row of windows across the front and a plain exterior.

**PRE-APPROVED MORTGAGE:**

A commitment from a lender to provide a mortgage loan on stated terms to a borrower before the borrower has found a property to buy. The pre-approved mortgage allows the borrower to make a firm, cash offer on the property of choice.

**PREARRANGED REFINANCING AGREEMENT:**

An arrangement between lender and borrower in which the lender agrees to favorable terms for the borrower on a future refinance as an inducement to the borrower to place the original mortgage with the lender.

**PRECLOSING:**

A meeting of the parties to a transaction prior to the scheduled closing date to allow some or all of the documents to be signed and more complicated issues settled prior to closing.

**PREFABRICATED:**

Descriptive term for a building that is put together on site from components (walls, floors, roof, etc.) built off-site (in a factory, for example).

**PRE-FORECLOSURE SALE:**

The sale of a property by a delinquent borrower under an agreement with the lender. The sale may not produce enough proceeds to pay out the loan but the lender will save the costs of foreclosing and selling.

**Real Estate Glossary of Terms**

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**RELEASE:**

To find tenants for a property before construction is completed.

**PREMISES:**

A descriptive term for the land, building or parts thereof involved in a particular transaction.

**PREMIUM:**

1. The periodic payment on a policy of insurance.
2. The value of a debt instrument in excess of its face value.
3. Of highest quality.

**PREPAID EXPENSES:**

Payments made on account of costs and disbursements that are not yet incurred, may be placed in an escrow account.

**PREPAID INTEREST:**

Charges for interest that are paid in advance of their accrual (i.e. point charges, etc.).

**PREPAYMENT:**

Payment of all or part of the principal of a mortgage or loan before it comes due.

**PREPAYMENT CLAUSE:**

A term in a mortgage that establishes the rules regarding extra payments toward principal.

**PREPAYMENT PENALTY:**

A fee charged to a borrower for paying out all or part of the principal of the mortgage or loan before it comes due.

**PREPAYMENT PRIVILEGE:**

The right of the borrower to pay out all or part of the outstanding principal before it comes due.

**PRE-QUALIFICATION:**

The act of going through the mortgage application process before the borrower is ready to borrow, to establish how much money the borrower could obtain under a loan.

**PRESALE:**

Marketing of properties under construction or simply in the planning stages.

**PRESCRIPTION:**

A legal term describing the acquisition of rights or obligations through the passage of time (such as *adverse possession*).

**PRESCRIPTIVE EASEMENT:**

A legally enforceable right to make use of all or part of the property of another as a result of continuous and uninterrupted use of that property for a period of time as established by statute.

**PRICE-LEVEL-ADJUSTED MORTGAGE:**

An adjustable or variable payment loan which uses the rate of inflation as an index.

**PRIMARY LEASE:**

The main lease, under which other sub-leases exist.

**PRIME RATE:**

The best rate charged on loans, usually saved for the best clients of the lenders. May also be set by a national institution as a benchmark or index for other lenders.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**PRINCIPAL:**

1. The amount of money borrowed or still owed on a loan, without including interest.
2. The person on whose behalf an agent acts.

**PRINCIPAL AND INTEREST PAYMENT (P&I):**

A blended, periodic payment that is enough to pay off accumulated interest and a portion of the principal.

**PRINCIPAL BALANCE:**

The outstanding amount owing on a mortgage without including accumulated interest.

**PRINCIPAL BROKER:**

The head of a real estate brokerage, licensed as a broker, who is responsible for all transactions run through the firm.

**PRINCIPAL RESIDENCE:**

The dwelling in which a person resides for the majority of the time.

**PRINCIPAL, INTEREST, TAXES AND INSURANCE (PITI):**

The four parts of many periodic loan payments.

**PRIVATE MORTGAGE INSURANCE (PMI):**

A policy of insurance issued by a non-governmental entity which protects a lender against the default of the borrower.

**PROBATE OR PROVE:**

Establishment of the validity of a will through a court process.

**PRO-FORMA STATEMENT:**

Latin meaning a statement "according to form". Financial projections.

**PROGRESS PAYMENTS:**

Loan advances issued to a builder as construction of a building moves forward.

**PROMISSORY NOTE:**

A document signifying an indebtedness.

**PROPERTY:**

1. The rights of ownership in lands or goods.
2. Land.

**PROPERTY TAX:**

Also known as "realty tax", the tax levied on ownership of property.

**PROPRIETARY LEASE:**

A rental agreement between a cooperative housing corporation and a share holder allowing use of a certain unit in the premises.

**PRORATE:**

To apportion a divisible item among parties according to their share.

**PROSPECT:**

1. To investigate land for valuable mineral deposits.
2. A potential buyer.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**PUBLIC AUCTION:**

A public meeting at which properties are sold to pay defaulted mortgages.

**PUBLIC HOUSING:**

Accommodation offered by the government to low income people for nominal rents.

**PUBLIC SALE:**

See "public auction".

**PURCHASE AGREEMENT:**

See "*agreement of sale*" or "agreement of purchase and sale".

**PURCHASE MONEY MORTGAGE (PMM):**

See "*mortgage back*". A loan from the vendor to the purchaser to help finance the purchase of the property.

**PURCHASER:**

The person who buys a property.

**PURCHASE PRICE:**

The consideration paid for the purchase of a property as set out in the agreement.

**QUADRAPLEX:**

A building containing four dwelling units.

**QUALIFICATION RATE:**

The rate of interest used to calculate whether or not a borrower qualifies for a mortgage.

**QUALIFICATION REQUIREMENTS:**

Those guidelines set by lenders to be used when deciding whether or not an applicant will be given a loan.

**QUALIFIED ACCEPTANCE:**

Also known as "*conditional acceptance*". Agreeing to enter a contract provided certain conditions are met.

**QUALIFIED BUYER:**

A purchaser who has been pre-approved for financing.

**QUALIFIED FEE ESTATE:**

A legal interest in land which is limited.

**QUANTUM:**

Literally, the amount.

**QUARTER SECTION:**

A measurement from the Government Survey Method, measuring 2,640 feet on each side and containing 160 acres.

**QUIET ENJOYMENT:**

The legal right of an owner or tenant to have uninterrupted use of the property or premises without interference.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**QUIT CLAIM DEED:**

A conveyance which releases any interest the conveying party may have in a property without any warranty as to that party's claim.

**R VALUE:**

A method of measuring the insulation capabilities of materials.

**RADON:**

A radioactive gas which may cause health problems for occupants of some buildings.

**RANCH HOUSE:**

A description of a one-storey house, developed from the old, western-style homes.

**RANGE LINES:**

From Government Surveying Method, lines which run parallel to the principal meridian six mile apart to create "ranges" of land.

**RATE CAP:**

A limit of how much an interest rate can change in a variable of *adjustable rate mortgage* either in a given period or over the life of the loan.

**RATE COMMITMENT:**

A written promise by a lender to lend money to a borrower at a stated rate of interest -- usually time limited.

**RATE LOCK-IN:**

See "rate commitment". A written agreement in which the lender guarantees the borrower a specified interest rate, provided the loan closes within a set period of time.

**RATIFIED SALES CONTRACT:**

A firm and binding agreement for the purchase and sale of land.

**RAW LAND:**

Property that has not been developed or improved.

**READY, WILLING, AND ABLE:**

A term of art meaning in a position to complete a contract. In order to enforce a contract against another party, you must be ready, willing and able to complete the contract yourself.

**REAL ESTATE:**

Term for land and all fixtures to land, including buildings and other improvements.

**REAL ESTATE AGENT:**

A trained professional involved in the purchase, sale and marketing of real property. The "listing agent" acts for the vendor, the "selling agent" for the successful purchaser.

**REAL ESTATE BROKER:**

A real estate professional who is licensed to run a real estate firm, to hold trust funds, etc.

**REAL ESTATE COMMISSION:**

1. The fee paid to the real estate agents after a transaction.
2. An agency that enforces real estate license laws.

**REAL ESTATE EDUCATORS ASSOCIATION:**

An organization of post-secondary teachers of real estate courses.

**Real Estate Glossary of Terms**

The Goins Group, LLC

PO Box 5261 Lake Wylie, SC 29710

803-831-0056 Office \* 803-831-0805 Fax

**REAL ESTATE MARKET:**

A term for the pool of potential buyers and sellers of property at a given time.

**REAL ESTATE SALES PROFESSIONAL:**

See "real estate agent" or "real estate broker".

**REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA):**

Statute requiring lenders to provide advance notice to borrowers of fees and charges to be paid at closing.

**REAL PROPERTY:**

Also known as "real estate". Land, property, plus improvements to land.

**REALTOR:**

Professional designation for a member of the National Association of REALTORS or its affiliated local groups. Must be a real estate broker.

**REALTOR'S ASSOCIATE:**

Professional designation of a licensed real estate agent or salesperson who is a member of the National Association of Realtors but who has not been licensed as a broker.

**REALTY:**

See "*real estate*".

**REAPPRAISAL LEASE:**

A rental agreement in which the periodic payment is adjustable according to scheduled re-appraisals of the rental value of the premises.

**REASSESSMENT:**

A change in the estimated value of a property for realty, municipal or ad valorem tax purposes.

**REBATE:**

Any refund of all or a portion of money paid.

**RECAST PAYMENT:**

Adjustment of the periodic payment on an *adjustable* or *variable rate mortgage* to ensure that the mortgage will be paid out by maturity date.

**RECASTING:**

Adjusting the terms of a loan agreement in light of new developments (i.e. lower rates, possible default).

**RESCISSION OF CONTRACT:**

The act of declaring a contract null and void and taking the necessary actions to return the parties to the position they were in prior to entering the contract.

**RECITAL:**

An unsworn statement of fact included in a document. In many jurisdictions, recitals in registered documents are deemed true and unassailable if unchallenged after a certain period of time.

**RECONVEYANCE:**

The return of title to property to its original owner. May occur as a result of the pay-out of a mortgage or at the end of a limited estate.

**Real Estate Glossary of Terms**

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**RECORDING:**

The act of entering title instruments in the public records, thus giving notice to any interested parties of the existence of the instrument.

**RECORDING FEES:**

The fees paid to have an instrument recorded in the public record.

**RECOURSE:**

The right of a lender to pursue a borrower personally for moneys owed.

**RECOVERY FUND:**

A pool of money made up of contributions from licensed brokers used to compensate members of the public with claims against brokers.

**RECTANGULAR SURVEY:**

See "*government rectangular survey method*".

**REDEEM:**

To bring mortgage payments up-to-date after the lender has begun default proceedings. Once a borrower (or other lien holder) redeems, the mortgage is back in good standing and the relationship continues as before the default.

**REDEMPTION PERIOD:**

The length of time during which the borrower may redeem a mortgage.

**REDEVELOP:**

To remove existing improvements and buildings on a parcel of property and replace them with new, more useful and profitable improvements.

**REDLINING:**

An illegal practice, refusing to lend money to owners of property in certain neighborhoods or to owners on the basis of their race, color, religion, creed, age, gender, etc.

**REDUCTION CERTIFICATE:**

A mortgage statement setting out the amount owing on the loan as of a given date. May be used for discharges or assumptions.

**REEVALUATION LEASE:**

See "*reappraisal lease*".

**REFERRAL:**

A recommendation, a suggestion to a client of the value of the services of a person or firm. (i.e. a real estate agent may refer a purchaser to a particular banker or lawyer.)

**REFINANCE:**

To replace an existing and perhaps mature mortgage with a new mortgage on the same property. New mortgage may have different terms than the old one.

**REGENCY HOUSE:**

A two-storey or three-storey house in a traditional English style of the Regency Period, symmetrical in construction with a hip roof. May have a small, eight-sided window above the front door.

**Real Estate Glossary of Terms**

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**REGISTRAR:**

The person who has the task of collecting, recording, and maintaining instruments related to title of land. May also have responsibility of ruling on the acceptability of documents submitted for registration and for making decisions as to how to correct title defects.

**REGISTRATION:**

The submission for recording in the public records of instruments relating to title in land. Each jurisdiction may have specific requirements as to documents which will be accepted for registration; once registered, documents will be given a registration number and recorded on the title abstract index for the property to which they apply.

**REGULATION Z:**

A federal rule which requires lenders to provide borrowers with full disclosure of the terms of a loan.

**REHABILITATE:**

To restore, refurbish, bring back to original condition.

**REHABILITATION TAX CREDIT:**

A tax provision allowing a tax credit of up to 20% for the refurbishing of historic properties.

**RE-ISSUE RATE:**

A reduction in the fee for title insurance on a property which was previously title insured.

**RELEASE CLAUSE:**

A term of a mortgage which allows the borrower to pay out the loan and have the mortgage removed from title.

**RELEASE OF LIEN:**

A document which, once registered, removes certain kinds of claims from title to property.

**RELICION:**

The gradual migration of a body of water such that additional dry land is left behind.

**RELOCATION CLAUSE:**

A term in a lease which allows the landlord to move the tenant to a new unit, within the same building or elsewhere.

**RELOCATION NETWORK:**

An organization of real estate professionals in a number of different areas specifically designed to allow information to be shared to allow easier movement of clients from one area to another.

**RELOCATION SERVICE:**

A firm that specializes in helping employees who are transferred by their employer to a new area take care of the move.

**REMAINDER:**

An interest in property that only arises once another interest ends.

**REMODEL:**

To refurbish, redesign, redecorate.

**Real Estate Glossary of Terms**

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**RENEWAL OPTION:**

A right which arises out of a term in a contract and takes effect at or near the termination date of a contract; the party who enjoys the right may choose to continue the agreement on terms as set out in the option clause or to treat the contract as at an end upon the termination date.

**RENOVATE:**

Similar to remodel, with an emphasis on upgrading the existing property.

**RENT:**

1. *Verb* -- to lease premises from the owner or a representative of the owner.
2. *Noun* -- the periodic payments made by a tenant to the landlord for the right to occupy the premises.

**RENT CONTROL:**

Government initiative to control raises in the amount charged for the lease by tenants of residential premises.

**RENT-FREE PERIOD:**

An inducement to enter a lease, a specified number of months at the beginning of the lease in which the tenant is not required to pay the periodic rental payments.

**RENTABLE AREA:**

See "*net leasable area*".

**RENTAL RATE:**

The amount charged for the occupation of a property.

**REPAYMENT PLAN:**

A schedule arranged between a lender and borrower to set out how a debt is to be paid out.

**REPLACEMENT COST:**

An insurance term, the total cost of erecting a new home or building which adequately takes the place of the existing one.

**REPORT:**

A document sent by a lawyer to a bank certifying that title to the subject property is clear and marketable.

**REPORTING LETTER:**

A letter sent by a lawyer to a client after a transaction is completed (or when sent during the process of the transaction, called "interim reporting letter") in which the lawyer certifies title to the property and informs the client of all other matters relating to the transaction.

**REPRODUCTION COST:**

The cost of making an exact duplicate of a property.

**REQUIRED CASH:**

Collective term for the total sum of money required to complete a transaction, including purchase price, taxes, legal fees, mortgage fees, etc.

**RESCIND:**

To treat a contract as being at an end, to withdraw one's offer or acceptance of an agreement.

**Real Estate Glossary of Terms**

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**RESCISSION:**

The act of treating a contract as being at an end as a result of the failure, breach or misconduct of another party.

**RESERVE FUND:**

A pool of money held for use for future contingencies, usually in the management of a building, condominium corporation or cooperative unit.

**RESERVE PRICE:**

The amount set prior to an auction which must be met in the bidding for a particular item before the item will be sold. Also known as "reserve bid".

**RESIDENCE:**

The dwelling in which a person lives, may also refer to the country or state where a person lives.

**RESIDENTIAL BROKER:**

A real estate professional who deals in dwelling properties.

**RESIDENTIAL PROPERTY:**

Real estate that is occupied by the owner.

**RESIDENTIAL SERVICE CONTRACT:**

A warranty or insurance contract which covers services such as electrical, plumbing etc. in a resale home.

**REISSUE RATE:**

See "re-insurance rate".

**RESTORE:**

To refurbish a building or other asset to its original condition.

**RESTRAINT ON ALIENATION:**

Any limit on the ability of an owner to sell or transfer property.

**RESTRICTION:**

Any limit or control on the owner's ability to use the property. May be contained in a deed and be binding on the land and future owners of it.

**RESTRICTIVE COVENANT:**

See "*restriction*".

**RETIRE (A DEBT):**

To fulfill one's obligations under a loan or mortgage so that the lender has no further claims against the borrower.

**REVERSE ANNUITY MORTGAGE (RAM):**

A type of mortgage where the equity in the home serves as security for periodic payments made by the lender to the borrower. Mortgage is generally paid out upon the sale of the property.

**REVERSE LEVERAGE:**

A term for the situation where the income from ownership of property is lower than the rate of interest paid to finance the ownership.

**Real Estate Glossary of Terms**

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**REVERSION:**

The return of a property to the original grantor upon the occurrence of an event specified in the grant.

**REVERSIONARY INTEREST:**

The legal right to a property of a person under a reversion clause.

**REVERSIONARY VALUE:**

The value of the property at the time of reversion.

**REVOCAION:**

Taking back, recalling. One might revoke a power of attorney or a consent given.

**REZONING:**

The amendment of the classification of a property under use and building by-laws or ordinances. A property may rezoned from industrial to residential to allow a warehouse to be converted into condominiums.

**RIDER:**

A document which contains additional or amending clauses to a contract.

**RIGHT OF FIRST REFUSAL:**

The ability to make an offer for a property before the owner puts it up for sale on the open market.

**RIGHT OF REDEMPTION:**

See "*equity of redemption*".

**RIGHT OF SURVIVORSHIP:**

The legal term for the right of a surviving joint tenant to take title to a property alone upon the death of the other joint tenant.

**RIGHT TO RESCISSION:**

Being legally entitled to treat a contract as being at an end.

**RIGHT-OF-WAY:**

A form of easement, the legal entitlement to pass over a portion of the land of another.

**RIPARIAN OWNER:**

A person who has title to land bordering on a body of water.

**RIPARIAN RIGHTS:**

The rights of an owner of land bordering a body of water to use or control that body of water or a part thereof.

**ROD:**

160 feet measured in a line, a unit of measurement.

**ROLLOVER LOAN:**

A loan where the *amortization* period is much longer than the term and the borrower is allowed to refinance at the end of the term at the interest rate then applicable.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**ROOT DEED:**

The first conveyance in a chain of title. If a jurisdiction has legislation which cures any title defects that are older than a certain number of years, the root deed will be the first deed beyond that period.

**ROOT OF TITLE:**

Any defect in ownership of property which throws into question the very basic issue of who actually owns the property. An unresolved problem going to the root of title is grounds for rescission of the Agreement of Purchase and Sale no matter when it is discovered before closing.

**ROW HOUSE:**

A dwelling that is attached to its neighbors by way of common walls.

**RULE OF 72'S:**

To calculate the number of years it will take to double money while earning compound interest, divide the interest rate into 72. Money invested at 10 percent compound interest will take 7.2 years to double.

**RUN WITH THE LAND:**

A legal term which suggests that a rule, restriction, right or obligation forms part of the land itself and is transferred to each new owner along with the land.

**RURAL:**

A term to describe something which is not of an urban center.

**SALE AGREEMENT:**

Also known as "Agreement of Purchase and Sale" or "Purchase Agreement". The contract that sets out the terms and conditions agreed to by the purchaser and the vendor in the sale of land.

**SALE AND LEASEBACK (SALE-LEASEBACK):**

Where the vendor sells the property to the purchaser, then leases it back immediately for a long term.

**SALE OF PERSONAL RESIDENCE BY ELDERLY:**

An income tax forgiveness program on capital gains realized by the elderly on the sale of their homes.

**SALE PRICE:**

Also known as "purchase price", the amount of money paid by the purchaser to the vendor for the property under the agreement.

**SALES ASSOCIATE:**

A real estate professional in the employ of another such real estate professional.

**SALES COMPARISON APPROACH:**

Method of estimating value of a property by comparing similar properties that have been sold recently.

**SALES CONTRACT:**

See "*sale agreement*".

**SANDWICH LEASE:**

A slang term for a sublease, where the tenant is sandwiched between the owner and the subtenant, acting both as lessor and lessee at the same time.

**Real Estate Glossary of Terms**

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**SATELLITE TENANT:**

A smaller shop in a mall.

**SATISFACTION OF MORTGAGE:**

Written evidence from the lender that a loan has been paid out in full and the borrower released from any obligation to the lender.

**SAVINGS AND LOAN ASSOCIATION (S&L):**

Another form of mortgage lender.

**SAVINGS ASSOCIATION INSURANCE FUND (SAIF):**

The Federal Deposit Insurance Corporation (FDIC) insurance fund for deposits in savings and loan associations.

**SCARCITY:**

The idea that price is driven by availability of the product. If there is not enough product to meet demand (the product is scarce), the price of the product will rise.

**SCENIC EASEMENT:**

A right to the use of land which is given for the purpose of ensuring that the land is never developed and the natural beauty of the area is, as a result, preserved.

**SCHEDULE:**

A document attached to an instrument for registration or to a contract or agreement, which may contain information required in the instrument or extra terms of the contract.

**SCHEDULED MORTGAGE PAYMENT:**

The periodic payment the borrower is obliged to pay on a loan.

**SEARCH:**

An investigation, a review of public records for problems, concerns or simply for information. See "*title search*".

**SEASONED MORTGAGE:**

An old loan under which the borrower has proven herself capable of meeting loan obligations.

**SECOND:**

One sixtieth of a minute which is one sixtieth of a degree which is one 360th of a circle. Used in metes and bounds descriptions when astronomic bearings are used to describe directions.

**SECOND MORTGAGE:**

A mortgage loan which is registered on title after another mortgage (the first mortgage) and, therefore, is behind the first mortgage in priority. In the event of default and sale of the property, the second mortgagee will only be paid if there are funds left after the payment of the first mortgagee.

**SECONDARY FINANCING:**

Another term for a second mortgage; a loan which stands behind the principal loan.

**SECONDARY MARKET:**

The purchase and sale of mortgages among lenders.

**SECTION:**

A square mile in the Government Survey Method, contains 640 acres.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**SECURITY:**

An asset held as a guarantee of payment of a loan.

**SECURITY DEPOSIT:**

Money held by the landlord to ensure the tenant meets his obligations under the lease.

**SECURITY INTEREST:**

Legal term for the claim the lender has against the borrower's property which has been pledged under a loan.

**SEE-THROUGH BUILDING:**

Slang term for a property which is mostly empty of tenants.

**SELF-AMORTIZING MORTGAGE LOAN:**

A loan which will be paid off by the end of its term, such that its term equals its *amortization* period.

**SELLER FINANCING:**

Also known as "*vendor take-back mortgage*" or "*mortgage back*", where the seller of a property agrees to payment of part of the purchase price over time with the debt to the seller registered on title as a mortgage.

**SELLER'S MARKET:**

Demand is greater than supply, such that the vendor may demand a higher price.

**SELLER-TAKE-BACK:**

See "seller financing".

**SELLING AGENT:**

The real estate professional who brings the eventual purchaser to the property and the vendor. As opposed to "listing agent".

**SEMIANNUAL:**

Occurring twice per year.

**SEMI DETACHED HOUSING:**

A dwelling that shares one side wall with another dwelling.

**SEPARATE PROPERTY:**

Property owned by one spouse solely, rather than jointly with the other spouse.

**SEPTIC SYSTEM:**

A manner of dealing with sewage of a dwelling, through pipes into a septic tank.

**SERIOUS DELINQUENCY:**

The condition of being far behind in mortgage payments such that mortgage enforcement by the lender is imminent.

**SERVICING (THE LOAN):**

The act of collecting periodic payments toward a debt.

**SERVICING FEE:**

The fee charged to the borrower for the lender's costs of collecting payments and administering a loan.

**Real Estate Glossary of Terms**

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**SERVIENT ESTATE:**

The piece of land which is subject to an easement. As opposed to the "dominant estate".

**SERVIENT TENEMENT:**

The piece of land which is subject to an easement. As opposed to the "dominant tenement".

**SET BACK ORDINANCE/BYLAW:**

A municipal government rule that establishes the minimum distance a building or other improvement must stand from property lines.

**SETTLEMENT BOOK:**

An information pamphlet given by lender to borrower which explains the process of the loan, settlement of the loan, etc.

**SETTLEMENT COSTS:**

See "*closing costs*".

**SETTLEMENT SHEET:**

The information sheet which sets out the allocation of funds on closing.

**SEVER:**

To divide one piece of property from another to be sold or used separately.

**SEVERALTY:**

Ownership of land by an individual.

**SEVERANCE:**

The word for the act of dividing one property from another or splitting a property into pieces.

**SHARED APPRECIATION MORTGAGE (SAM):**

A loan arrangement which allows the lender to share, in exchange for a reduced interest rate, in any gain in the value of the property against which the mortgage is secured.

**SHELL LEASE:**

A rental agreement wherein the tenant rents the incomplete building and agrees to complete the interior work, such as plumbing, wiring, interior walls, floors, etc.

**SHERIFF:**

Enforcement officer in a jurisdiction, person charged with the responsibility of enforcing writs and liens against people.

**SHERIFF'S DEED:**

The instrument of conveyance for property sold to satisfy a court judgment.

**SHERIFF'S SALE:**

The forced sale of a property to satisfy a debt or judgment.

**SIGN BACK:**

The act of countering an offer with a return offer. The original offer document is amended, initialed by the person amending it, and sent back to the original offeror as a new, counter offer.

**SIGNED SEALED AND DELIVERED:**

A legal phrase suggesting that the party executing a document intends it to be enforceable even if no consideration is given to her for signing.

**Real Estate Glossary of Terms**

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**SIMPLE INTEREST:**

A charge for the use of money which is calculated on a periodic basis as a percentage of the principal borrowed. No further interest is charged on interest accumulated in earlier periods.

**SINGLE AGENCY:**

The representation of only one party to a transaction.

**SINGLE-FAMILY RESIDENCE (UNIT):**

A property designed for the use and occupancy of one family group.

**SITE:**

The location of something.

**SOFT MARKET:**

Also known as "buyers' market", when vendors far outnumber buyers and prices fall.

**SPEC HOUSE:**

A new dwelling which is being built or has been completed by a builder before a purchaser has been found to buy it.

**SPECIAL ASSESSMENT:**

The levying of an additional tax on a property for a specific purpose (i.e. to apportion the cost of infrastructure upgrades among area land owners).

**SPECIAL USE PERMIT:**

A temporary exemption from zoning use by-laws or ordinances.

**SPECIAL WARRANTY DEED:**

An instrument of conveyance in which the vendor warrants she has done nothing to cloud title but nothing further.

**SPECIAL-PURPOSE PROPERTY:**

A piece of land specifically designed and improved for a specific purpose -- a school or hospital.

**SPECIFIC PERFORMANCE:**

A remedy for breach of contract, where the breaching party is ordered to complete the contract according to its terms.

**SPECULATIVE BUILDER:**

A developer who constructs housing without pre-selling.

**SPECULATOR:**

Someone who buys property on the expectation that its value will increase and it will be sold at a profit.

**SPILOVER EFFECT:**

The impact of changes to or development of one parcel of land on a neighboring or nearby parcel.

**SPOT ZONING:**

The practice of applying zoning ordinances or bylaws to specific properties when neighboring lands may be under a different classification.

**SPREADING AGREEMENT:**

A contract in which the borrower gives the lender additional security for a loan by allowing it to be lodged against other property owned by the borrower.

**Real Estate Glossary of Terms**

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**SQUARE-FOOT METHOD:**

Method of estimating cost of construction on the basis of the area of the building to be built.

**SQUATTER'S RIGHTS:**

The legal rights to occupy a property which accrue to a person as a result of their long-time, open, notorious and *adverse possession* of it.

**STAKING:**

A surveyor's method of marking the boundaries of a property by placing a physical entity (a stake or bar) in the ground.

**STAMP TAX:**

The charge levied by governments on the transfer of property.

**STANDARD MORTGAGE:**

A mortgage which has equal periodic payments and is paid out at the end of its term.

**STANDARDS OF PRACTICE:**

A professional code of behavior for real estate professionals promulgated by the National Association of Realtors.

**STARTER HOME:**

A small home, inexpensive, suitable to first-time home buyers.

**STATE STAMPS:**

State levied land transfer taxes.

**STATEMENT OF RECORD:**

A filing required by the Department of Housing and Urban Development (HUD) from a developer with a project involving 50 or more lots who plans to market it across several states.

**STATUTE OF LIMITATIONS:**

The period of time after the originating incident in which an injured party may start a legal claim against the party who caused the injury.

**STATUTORY LIEN:**

A claim which may be registered against property and is created by a law.

**STRAW MAN:**

A slang term for a trustee who purchases property on behalf of another who wishes to remain anonymous.

**STREET ADDRESS:**

See "*municipal address*".

**SUBDIVISION:**

1. The creation of a number of smaller lots out of one or more large lots for the purposes of developing each smaller lot and selling them.
2. A newly created urban development.

**SUBDIVISION REGULATION(S):**

Rules set out by the local government that set out minimum requirements for approval of a new subdivision.

**Real Estate Glossary of Terms**

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**SUBJECT BUILDING:**

A term used to identify the building being dealt with, examined or considered, as distinguished from other buildings.

**SUBJECT PROPERTY:**

A term used to identify the property being dealt with, examined or considered, as distinguished from other properties.

**SUBJECT TO:**

An indication that title to a property includes an obligation of some sort, an easement, right of way, lien, right of claim. Opposite of "together with".

**SUBJECT TO MORTGAGE:**

A term of an agreement which states that the purchaser will assume an existing mortgage registered on title to the property.

**SUBLEASE:**

A rental contract between a tenant and someone who rents from the tenant.

**SUBLESSEE:**

A tenant's tenant.

**SUBLESSOR:**

A tenant who leases the premises to another person.

**SUBMARGINAL LAND:**

Real property that could not be developed in a financially useful way.

**SUBMORTGAGE:**

Where a mortgage is pledged as security for a loan to the mortgagee (the original lender).

**SUBORDINATE FINANCING:**

See "secondary financing".

**SUBORDINATION:**

Placing the right of one person behind those of another.

**SUBORDINATION CLAUSE:**

An agreement by the lender which allows the current mortgage to be "postponed" or placed behind a later mortgage in priority.

**SUBSTITUTE OF TRUSTEE:**

An instrument registering a change of trustee under a deed of trust.

**SUCCESSION:**

The conveyance of property to the heirs of a deceased person under the laws governing intestate distribution of assets.

**SUFFERANCE:**

A legal concept, the deemed consent to the actions of another person which results when a person who could be expected to react to the other person's actions refuses to do so.

**SUIT:**

A legal action commenced to enforce a claim or right.

**Real Estate Glossary of Terms**

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**SUPERADEQUACY:**

A feature of a property which may not be recognized fully in the price of the property.

**SUPPORT DEED:**

An instrument conveying ownership of land in exchange for a promise on the part of the grantee to care for the grantor for his lifetime.

**SURETY BOND:**

A legal document issued to assure the completion of an act by another person.

**SURFACE RIGHT:**

A legal interest in the use or occupation of the top of land. As opposed to "subsurface" or "mineral rights".

**SURPLUS FUNDS:**

Money gained in a mortgage enforcement sale of property which is in excess of the money required to satisfy the mortgage, interest, penalties, and costs.

**SURRENDER:**

To give up, to turn over something to a person claiming interest in it.

**SURVEY:**

A pictorial depiction of land and the improvements on it. Shows boundary lines (with measurements and bearings), buildings, sheds, easements, etc.

**SURVEYOR:**

A professional who is trained to map out land and improvements to land accurately.

**SURVIVORSHIP:**

The condition of outliving others. Surviving joint tenants have the right to take title to the land from a deceased joint tenant by right of survivorship.

**SWEAT EQUITY:**

Slang term for the contribution to the value of a property made by manual labor.

**SWEETENER:**

Slang term for an added incentive to a party to induce her to enter a transaction.

**SWING LOAN:**

A short-term loan designed to bridge the borrower's finances between two events. For example, a person who buys a new home in April but cannot sell her old home until June may require a swing loan to carry both homes for the interim period until the old home may be sold and the proceeds used to pay out the swing loan. Also known as "bridge financing".

**TACKING:**

Adding an extra period of time to the term of a contract.

**TAKING:**

1. Government acquisition of land through condemnation.
2. Restrictions on the use of land that are so harsh as to block any reasonable use of the property.

**TANDEM PLAN:**

A joint program of the Government National Mortgage Association (GNMA) and the Federal National Mortgage Association (FNMA) to provide low-interest home loans.

**Real Estate Glossary of Terms**

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**TANGIBLE PROPERTY:**

Assets that can be touched, that have a physical existence.

**TAX:**

1. To strain or push to the point of exhaustion.
2. To levy an assessment against, usually by government powers. Unpaid taxes usually form a special lien on property owned by the taxpayer, ahead of registered mortgages.
3. The money charged as an assessment.

**TAX AND INSURANCE ESCROW:**

See "*escrow account*".

**TAX BASE:**

The pool of property, value or income from which a government may draw assessments.

**TAX DEED:**

The instrument of conveyance when a property is sold by a government body to pay for arrears of taxes.

**TAX FORECLOSURE:**

The process leading up to the sale of a property to pay for arrears in taxes.

**TAX LIEN:**

A claim registered against a property by a government authority for non-payment of assessed taxes.

**TAX MAP:**

A pictorial representation of the properties in a municipality, showing dimensions and other information about each property for tax purposes.

**TAX ROLL:**

Also known as "assessment roll", the listing of all properties in a jurisdiction that are subject to taxation, including owners' names, assessed value of each property, municipal addresses, legal descriptions and assessment roll number.

**TAX SALE:**

Sale of property by a governmental body for non-payment of taxes, either by tender or auction.

**TAX-EXEMPT PROPERTY:**

A property that is not subject to realty taxes.

**TEASER RATE:**

A lower interest rate charged on an *adjustable* or *variable rate mortgage* for a brief, introductory period as an inducement to the borrower to accept the loan from the lender.

**TENANCY:**

The right to use and occupy all or part of a property under a rental agreement.

**TENANCY AT SUFFERANCE:**

Form of tenancy created when a tenant remains in occupation of the premises after the end of the lease. The landlord is at liberty to evict the tenant at any time, subject only to the local tenancy laws.

**Real Estate Glossary of Terms**

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**TENANCY AT WILL:**

Form of tenancy created by written agreement in which the landlord may evict the tenant at any time.

**TENANCY BY ENTIRETY:**

See "*joint tenants*".

**TENANCY FOR LIFE:**

See "life estate".

**TENANCY FOR YEARS:**

Form of tenancy created by a written agreement in which the tenant has the right to occupy the premises for a stated period of time.

**TENANCY FROM YEAR TO YEAR (MONTH TO MONTH):**

A form of tenancy in which the tenant's right to occupy the premises lasts for a stated period of time but may be extended by mutual consent for another period.

**TENANCY IN COMMON:**

Ownership of property in which several owners each own a stated portion of the property (a percentage). Each owner may deal with her portion of the property as she wishes (giving it away, mortgaging it, selling it, bequeathing it, etc.) and, upon her death, her share becomes part of her estate.

**TENANCY IN SEVERALTY:**

Ownership of property by a single person.

**TENANT FIXTURES:**

Items added to a leased premises by a tenant that might normally be considered fixtures (and, therefore, part of the premises) but that, by contract or law, the tenant is entitled to remove at the end of the lease period.

**TENANT IN COMMON:**

A person who owns property with one or more others, where each owns a stated portion of the property and is free to deal with his portion as he wishes.

**TENDER:**

1. To deliver payment or an item one is obliged to deliver.
2. To produce evidence of one's ability to meet one's obligations under a contract for the purposes of preserving one's right to sue another party to the contract who is not able to carry out the contract.

**TENEMENTS:**

1. A legal word for a property or fixed asset (see dominant or servient tenement regarding easements).
2. Term for units in an aging apartment complex or building.

**TENURE IN LAND:**

The fashion in which an owner holds title to land.

**TERM LOAN:**

A loan that comes due on a given date, often before the periodic payments would pay the loan out.

**Real Estate Glossary of Terms**

The Goins Group, LLC

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**TERM, AMORTIZATION:**

Term: The period of time during which the loan contract is active, during which the borrower makes periodic payments to the lender and at the end of which the balance of the loan becomes due and payable.

*Amortization:* The period of time after which, if all periodic payments are made on time and in full, the loan will be paid out. Term may not be the same as amortization: a normal mortgage may be amortized over 25 years with just a five year term at which time the borrower has to re-finance.

**TERMITE CLAUSE:**

A term in an Agreement for sale which allows the Purchaser to inspect for termites. If any are found, the Vendor may be required to treat the problem or the Purchaser may rescind. Many clauses now refer more generally to "wood-damaging or destroying insects".

**TERMITE INSPECTION:**

The examination of a building for wood destroying insects.

**TERMS:**

The various clauses that make up a contract. Sometimes used to described the financial portions of the contract only.

**TESTAMENT:**

Another word for a will.

**TESTAMENTARY DISPOSITION:**

The transfer of ownership of an asset by way of a will.

**TESTATE:**

To die leaving a valid Will. Opposite of "intestate".

**TESTATOR (TESTATRIX):**

The person who makes a will.

**TESTIMONIUM:**

The clause in a legal instrument that sets out the date and other information regarding the signing of the instrument.

**THIRD PARTY:**

A person who is not a party to a contract but may become involved in an indirect way or be affected by it.

**TIME IS OF THE ESSENCE:**

A standard statement in a contract which ensures that all dates and times of day noted in the contract are important and cannot be ignored by any of the parties without the consent of the others except in breach of the contract.

**TIME-SHARING:**

A form of joint ownership of property where numerous owners share title and enjoy use or occupation of the property according to a specific schedule.

**TITLE:**

The legal term for one's ownership interest in land.

**Real Estate Glossary of Terms**

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**TITLE COMPANY:**

Also known as "title insurance company" or "title insurer". A corporation which is in the business of selling policies of insurance guaranteeing the ownership and quality of title to land.

**TITLE COVENANTS:**

Clauses and promises inserted into instruments of conveyance which are designed to give the Purchaser assurances that she is receiving good title.

**TITLE DEFECT:**

A claim against or competing interest in a property which affects the title of the registered owner.

**TITLE INSURANCE POLICY:**

A form of insurance contract which guarantees to indemnify an owner or mortgagee of property for damages suffered as a result of undiscovered title defects which arise later.

**TITLE PLANT:**

Also known as "*abstract plant*". An assemblage, available to the public, of information and documents relating to title to a particular property.

**TITLE REPORT:**

A document which sets out the current state of title to a property.

**TITLE SEARCH OR EXAMINATION:**

The act of examining in detail the public records relating to ownership of a parcel of land to ensure that the current owner has clear title, free of any liens, claims, mortgages or competing and adverse interests. Usually performed by a lawyer, qualified title searcher, or title insurance company on behalf of a proposed purchaser or mortgagee.

**TITLE THEORY STATES:**

Jurisdictions in which ownership of land is divided into two interests: legal title and equitable title. When an owner registers a mortgage in favor of a lender, legal title is transferred to the lender while the owner retains equitable (or beneficial) title. Once the mortgage is paid out, legal title is transferred back to the owner.

**TOPOGRAPHY:**

The form and structure of the surface of land (i.e. hilly, flat, etc.)

**TORRENS SYSTEM:**

Developed in Australia, a system of the registration of interests in land in which documents are closely regulated, monitored and examined by the recording authority to ensure that they are correct and that title is transferred without flaw. Property may not be transferred if uncorrected title defects exist.

**TOTAL DEBT RATIO:**

Comparison of the total costs of living for a person (including debt, food, utilities) over a given period with the gross income of that person.

**TOTAL INTEREST PAYMENTS:**

A calculation of all interest paid on a loan over its life.

**TOWN HOUSE:**

A type of dwelling which shares at least one common wall with neighboring dwellings.

**TRANSACTION FEE:**

A charge for making a withdrawal on a line of credit or other bank account.

**Real Estate Glossary of Terms**

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**TRANSFER TAX:**

See "*land transfer tax*".

**TRESPASS:**

Entry onto or possession of the property owned by another without the owner's consent.

**TRIPLE-NET LEASE:**

A rental agreement which requires the tenant to pay all operating costs of the building.

**TRUST ACCOUNT:**

A bank account held by a professional for the purposes of keeping money held on behalf of clients separate from the funds of the professional or her business.

**TRUST DEED:**

An instrument of conveyance of title to property wherein the transferee will be holding the title to the property on behalf of another person.

**TRUSTEE:**

A person who holds title to property on behalf of another (a "beneficiary of the trust").

**TRUSTEE'S SALE:**

Sale conducted by a trustee (often the lender) under the terms of the deed of trust.

**TRUTH-IN-LENDING ACT:**

A federal law which requires lenders to disclose all terms of a loan arrangement to the borrower in a specified form.

**TUDOR:**

A heavy looking, fortress like style of home in the English style. Stone and brick construction, may also feature stucco and exposed timbers. Windows feature stone trim.

**TWO-STEP MORTGAGE:**

A mortgage contract in which the interest rate changes after a given period of time, such that the rate charged is lower for the first part of the term of the mortgage and then market rate or higher later in the term.

**UNDERIMPROVED LAND:**

Property that is not being used so as to produce the maximum income it is capable of producing.

**UNDERINSURANCE:**

Insurance which would provide insufficient proceeds to compensate for the loss of the value of the insured item.

**UNDERTAKING:**

A promise, reduced to writing, which is legally enforceable.

**UNDERWRITER:**

A person who reviews and evaluates an application for a loan or insurance policy.

**UNDERWRITING:**

The decision as to whether or not to accept a loan or insurance application.

**Real Estate Glossary of Terms**

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**UNDEVELOPED LAND:**

Real property that has not been subjected to man's labor to make it more valuable or profitable. Raw land.

**UNDISCLOSED AGENCY:**

When a person deals with another party on behalf of a third person but does not inform the party with whom he is dealing of this relationship.

**UNDISCLOSED PRINCIPAL:**

The identity of the person whom an undisclosed agent represents.

**UNDIVIDED INTEREST:**

The term to describe the title of co-owners of a property as joint tenants such that the co-owners' title cannot be separated.

**UNDUE INFLUENCE:**

The exertion by a third party of any kind of control such that a person signs a contract or other instrument which, absent the influence of the third party, he would not have signed. A contract or instrument may be set aside as not binding on any party who signs it while under undue influence.

**UNENCUMBERED PROPERTY:**

Land that has no claims, liens or mortgages registered against it.

**UNENFORCEABLE CONTRACT:**

Any agreement that will not stand up to legal challenge. May result from the incapacity of a party, the illegality of the terms of the agreement, or the presence of undue influence, threat or coercion upon a party which caused that party to sign the contract.

**UNIFORM VENDOR AND PURCHASER RISK ACT:**

A law that apportions responsibility for damage due to fire between a purchaser and vendor for the period between the signing of the agreement of sale and the closing date.

**UNILATERAL CONTRACT:**

An agreement to exchange payment for services, where payment becomes due only once the service has been successfully performed. A listing agreement for the sale of real property may be a unilateral contract.

**UNIMPROVED LAND:**

See "*undeveloped land*".

**UNINSURABLE TITLE:**

Ownership of land which is subject to flaws such that a title insurance company refuses insure it.

**UNIT:**

A single dwelling within a larger complex: especially in condominium projects where the unit is the portion of the complex which is for the exclusive use of the owner of the unit.

**UNITY OF POSSESSION:**

A right of each joint tenant to use, occupy and enjoy the entire property.

**UNITY OF TIME:**

For joint tenants, the requirement that each of the tenants acquires her interest at the same time, as part of the same conveyance.

**Real Estate Glossary of Terms**

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**UNITY OF TITLE:**

For joint tenants, the requirement that each of the tenants acquires her interest in the same instrument of conveyance.

**UNLAWFUL DETAINER:**

The illegal possession of land by one whose original possession was legal.

**UNMARKETABLE TITLE:**

Similar to "uninsurable title:", ownership of land which is defective such that no one would wish to purchase it.

**UNRECORDED/UNREGISTERED INSTRUMENT:**

A legal document which purports to affect rights and interests in land but which has not been added to the public record for the property.

**UNSECURED LOAN:**

A loan in air, with no asset pledged as collateral or security for it.

**UP RENT POTENTIAL:**

An estimate of the amount rent on a property may be reasonably raised over a period of time.

**UPLAND:**

Property which borders on a body of water.

**UPSET PRICE:**

An amount set by the court which creates the reserve bid for an auction of property; the property may not be sold for less than the upset price.

**URBAN DEVELOPMENT ACTION GRANT (UDAG):**

A program of the Department of Housing and Urban Development (HUD) lending money for the revitalization of commercial areas.

**URBAN RENEWAL:**

The process of acquiring and redeveloping property for the purposes of increasing its profitability or utility. May be conducted by government, private interests or a combination of the two.

**URBAN SPRAWL:**

Slang term for the growth of cities in an unplanned and often wasteful manner.

**UREAFORMALDEHYDE FORM INSULATION (UFFI):**

A form of residential and commercial insulation popular in the 1970s which was found to give off toxic gases. Properties insulated with UFFI sell for much less than similar, non-UFFI properties as a result of the fear of health problems. In many jurisdictions, the Vendor of a residential property must inform a prospective purchaser of the presence of UFFI or provide a warranty that there is no UFFI in the property.

**USE:**

Noun: Term for the purpose for which a property is occupied, mostly related to zoning by-laws or ordinances. Some typical uses would be residential, commercial, industrial, etc.

**USEFUL LIFE:**

An estimation of the period of time over which a property, building or other asset will be of value or use to its owner.

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**USURY:**

The illegal act of charging extremely high interest rates on a loan.

**UTILITIES:**

Services, such as gas, electricity, water, sewers, which are required in any dwelling and for which the owner must pay separately. In some jurisdictions, *arrear*s in payment of charges for utilities may form a lien on the property.

**VA:**

See *Department of Veteran's Affairs* and related entries.

**VA LOAN:**

A loan on below market terms guaranteed by the Department of Veterans Affairs, given to former members of the armed forces.

**VACANCY RATE:**

The calculation of the percentage of all available rental units in a particular area that are not occupied.

**VACANT LAND:**

Land that may be improved and developed but is not currently in use.

**VACATE:**

To leave or move out of a premises.

**VACATION HOME:**

An occasional-use property, often in a resort area (ski, sun, ocean), which may be rented out by the owner to other vacationers while not in use by the owner.

**VALID:**

Legally binding; authorized.

**VALUATION:**

The estimation of the worth or sale price of an asset.

**VARIABLE EXPENSES:**

Operating costs of a property which are not fixed, which change as a result of certain contingencies, such as percentage occupation of the property, type of use of the property, perhaps even the season of the year (for heating and air conditioning costs).

**VARIABLE INTEREST RATE:**

An interest rate that may change according to change in the index rate. See "*adjustable interest rate*".

**VARIABLE-MATURITY MORTGAGE:**

A long-term loan in which the date the balance is due may be changed to adjust the level of periodic payments.

**VARIABLE RATE MORTGAGE (VRM):**

See "*adjustable rate mortgage*".

**VARIANCE:**

An indulgence granted by a local zoning commission or authority to allow a non-conforming use of a property to continue. The *zoning bylaw* or ordinance is actually amended as it pertains to the particular property.

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**VENDOR:**

Seller. Purchasee.

**VENDOR AND PURCHASER APPLICATION:**

Also known as "V&P Application". The bringing before a court in Ontario of any dispute between parties to an Agreement of Purchase and Sale with regard to the terms of the Agreement. Named after the Vendors and Purchasers Act, the statute which sets out the procedure for such an application.

**VENDOR TAKE-BACK MORTGAGE:**

See "*mortgage back*".

**VENEER:**

Any kind of thin wood or brick finish which is attached to the exterior of an item, be it a wall or a piece of furniture.

**VEST:**

To become the property of someone through action of law.

**VIOLATION:**

Any breach of a contract, rule, law or ordinance.

**VOID:**

Null, not legally enforceable.

**VOIDABLE:**

A contract that may be treated as legally unenforceable at the option of a party (usually the injured party) but remains enforceable until that party exercises her option.

**VOLUNTARY ALIENATION:**

Transfer of title to an asset with the consent of the owner.

**VOLUNTARY LIEN:**

A claim that is recorded/registered with consent of the owner.

**WAIVE:**

To voluntarily give up a legal right or claim.

**WAIVER:**

The voluntary giving up of a right or claim. A document to evidence such a relinquishment.

**WALK-THROUGH INSPECTION:**

A physical examination of the property which usually takes place immediately prior to closing to ensure that no changes have taken place and no new damage has been done to the property. May also be used to confirm that fixtures and chattels included in the sale remain on the premises.

**WALKUP:**

A small apartment building with rental units on upper floors and no elevator. The tenant literally has to walk up to her apartment unit.

**WAREHOUSE:**

A large building used for receiving and storing goods, materials or merchandise.

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**WAREHOUSE FEE:**

Charge to a borrower to cover the costs of the lender taking short term loans from other lenders to cover the borrower's mortgage.

**WAREHOUSING:**

The process of assembling mortgages for sale to the secondary mortgage market.

**WARRANTY:**

A signed statement which guarantees the condition or continued usefulness of an asset or guarantees the truth of the facts set out in the statement. The person signing is legally liable if the statement turns out to be untrue or if the asset proves in worse condition than stated.

**WASTE:**

Allowing or causing a property to suffer damage or undue wear and tear to the detriment of another person who has an interest in or claim to the property.

**WASTELAND:**

1. (With "The"), A classic American poem of the early 20th Century by Thomas Stearns Eliot.
2. A property which cannot be developed for profitable use.

**WATER COURSE:**

Any conduit of running water which occurs naturally on land: a river, stream, brook.

**WATER RIGHTS:**

The legal right to use water from a water course or body of water on a property.

**WATER TABLE:**

The natural accumulation of water either above or below ground, often used for well purposes. May also refer to the distance from the surface of the land to the location of the water.

**WEAR AND TEAR:**

The term for the reduction in value of an asset resulting from normal use.

**WEEKLY PAYMENTS:**

An alternative to the more traditional monthly payments on a loan or mortgage. Results in faster pay-down of principal, lower total interest paid.

**WETLANDS:**

Lands restricted for development as a result of their proximity to bodies of water and the fact that they are occasionally or often flooded. May also be environmentally sensitive.

**WILL:**

A written statement of a person's wishes for the disposition of that person's estate after their death.

**WIRE TRANSFER:**

The movement of funds from one place to another electronically.

**WOOD DESTROYING INSECT REPORT:**

See "termite report".

**WORK ORDER:**

A requirement by a local government body for work to be performed on a property so as to bring it into conformance with local regulations.

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**WRAPAROUND MORTGAGE:**

A secondary financing option in which new money borrowed is blended with money already owed and registered on title to the property. A second mortgage is registered as security for the new money but the old mortgage remains in existence and the rate of interest is a blend of the rate chargeable on the old mortgage and the rate chargeable on the newly borrowed money.

**WRIT OF EXECUTION:**

A claim or lien which is registered with the local enforcement officer to enforce a judgment of a court. The officer is then required to enforce the judgment against the judgment debtor and any property owned by that debtor in the jurisdiction.

**ZERO LOT LINE:**

A zoning regulation which allows certain properties to have buildings placed up to the line dividing separate properties.

**ZONE:**

An area of a municipality to which certain rules, regulations, bylaws or ordinances apply.

**ZONING BYLAW:**

A rule passed by the local government which regulates the use of property according to its location within the municipality, placement of structures on the property, maximum floor area, minimum lot area, minimum floor-to-lot area ratios, etc.

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