Real Estate Vocabulary Guide

HARBOR TOWN TITLE

The terms to know throughout a real estate transaction, from contract to closing.

Annual Percentage Rate (APR) | The borrower's cost of the loan expressed as a yearly rate. It reflects interest plus certain fees, so it is typically higher than the note rate.

Appraisal | An estimate of value of property resulting from analysis of facts about the property; an opinion of value.

Beneficiary | The recipient of benefits, often from a deed of trust; usually the lender.

Closing/Funding | The final step in a real estate transaction when all documents are signed, funds are disbursed, and ownership officially transfers to the buyer.

Closing Disclosure (CD) | Form designed to provide disclosures that will be helpful to borrowers in understanding all of the costs of the transaction. Given to the consumer three business days before closing.

Comparable Sales | Sales that have similar characteristics as the subject real property, used for analysis in the appraisal. Commonly called "comps."

Deed | A signed legal document that transfers ownership of real property from one party (grantor) to another (grantee). Common forms include the general and special warranty deed.

Deed of Trust | A security instrument used in many states in place of a mortgage, involving three parties: borrower, lender, and a neutral trustee who holds title until the loan is repaid.

Deed Restrictions | Limitations in the deed to a parcel of real property that dictate certain uses that may or may not be made of the real property.

Disbursement Date | The date the amounts are to be disbursed to a buyer and seller in a purchase transaction, or paid to the borrower or a third party in a non-purchase transaction.

Earnest Money Deposit | Deposit made by a purchaser to show good faith, held in escrow and later credited toward the down payment or closing costs. It is not the down payment itself.

Easement | A right, privilege or interest limited to a specific purpose that one party has in the land of another.

Endorsement | As to a title insurance policy, a rider or attachment forming a part of the policy expanding or limiting coverage.

Escrow | A neutral third party that holds funds and documents on behalf of the buyer and seller until all closing conditions are met.

Escrows/Impounds | A trust type of account established by lenders for the accumulation of borrower's funds to meet periodic payments of taxes, mortgage insurance premiums and/or future insurance policy premiums.

Hazard Insurance | Real estate insurance protecting against fire, some natural causes, vandalism, etc., depending upon the policy. Buyers often add liability insurance and extended coverage for personal property.

Legal Description | A description of land recognized by law, based on government surveys, spelling out the exact boundaries of the entire parcel so it cannot be confused with any other.

Lien | A form of encumbrance that usually makes a specific parcel of real property the security for the payment of a debt or discharge of an obligation (e.g., judgments, taxes, mortgages, deeds of trust).

Loan Estimate (LE) | Form designed to help borrowers understand the key features, costs and risks of the mortgage loan. Given to the borrower three business days after application.

Mortgage | The instrument by which real property is pledged as security for repayment of a loan.

PITI | A payment that includes Principal, Interest, Taxes, and Insurance.

Power of Attorney | A written instrument whereby a principal gives authority to an agent. The agent acting under such a grant is sometimes called an Attorney-in-Fact.

Recording | Process of filing documents affecting real property with the appropriate government agency as a matter of public record.

Settlement Statement | Document providing a detailed breakdown of costs involved in a real estate transaction.

TILA-RESPA Integrated Disclosure (TRID) | A rule issued by the Consumer Financial Protection Bureau (CFPB) that combines the disclosures under the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA). Effective October 2015.

Title Commitment | A preliminary report issued before closing that outlines the condition of title, requirements to close, and exceptions to title insurance coverage.

Title Insurance | Protects against covered title defects, liens, or ownership claims that existed before the policy was issued.