



glossary of escrow terms

Absorption Rate – The ratio of the number of properties in an area that have been sold against the number available. Used to show the volatility of a market.

Abstraction Method – This method of estimating the value of property uses similar properties available in the same market to extract the value of a parcel of land.

Acceleration Clause – A provision in a mortgage that gives the lender the right to demand immediate payment of the outstanding loan balance under certain circumstances. Usually when the borrower defaults on the loan.

Accessory Building – A building separate from the main structure on a property. Often used for a specific purpose, such as a workshop, storage shed or garage.

Accretion – The natural growth of a piece of land resulting from forces of nature

Acre – 43,560 square feet. A measurement of area.

Actual Age – The amount of time that has passed since a building or other structure was built. See also: Effective Age

Adjustment Date – The date the interest rate changes on an adjustable rate mortgage.

Ad Val Orem Tax – Taxes assessed based on the value of the land and improvements

Addendum – A supplement to any document that contains additional information pertinent to the subject. Appraisers use an addendum to further explain items for which there was inadequate space on the standard appraisal form.

Adjustable Rate Mortgage (ARM) – A type of mortgage where the interest rate varies based on a particular index, normally the prime lending rate.

Adjusted Basis – The value of an asset (property or otherwise) that includes the original price plus the value of any improvement, and less any applicable depreciation.

Adjusted Sales Price – An opinion of a property's sales price, after adjustments have been made to account for differences between it and another comparable property.

Aesthetic Value – The additional value a property enjoys based on subjective criteria such as look or appeal.

Affirmation – A declaration that a certain set of facts are truthful.

Affordability Analysis – A calculation used to determine an individual's likelihood of being able to meet the obligations of a mortgage for a particular property. Takes into account the down payment, closing costs and on-going mortgage payments.

Agent – A person who has been appointed to act on behalf of another for a particular transaction.

Amenity – Any feature of a property that increases its value or desirability. These might include natural amenities such as location or proximity to mountains, or man-made amenities like swimming pools, parks or other recreation.

American Society of Appraisers – An organization of appraisal professionals and others interested in the appraisal profession.

Amortization – The repayment of a loan through regular periodic payment.

Amortization Schedule – The breakdown of individual payments throughout the life of an amortized loan, showing both principal contribution and debt service (interest) fees.

Amortization Term – The length of time over which an amortized loan is repaid. Mortgages are commonly amortized over 15 or 30 years.

Amperage – A measure of electric current describing the magnitude.

Annual Percentage Rate (APR) – The rate of annual interest charged on a loan.

Annuity – A sum of money paid at regular intervals, often annually.

Application – A form used to apply for a mortgage loan that details a potential borrower's income, debt, savings and other information used to determine credit worthiness.

Appraisal – A "defensible" and carefully documented opinion of value. Most commonly derived using recent sales of comparable properties by a licensed, professional appraiser.

Appraisal Foundation – A not-for-profit educational organization established by the appraisal profession in the United States in 1987. It is dedicated to the advancement of professional valuation and responsible for establishing, improving, and promoting the Uniform Standards of Professional Appraisal Practice (USPAP).

Appraisal Institute – A world-wide organization dedicated to real estate appraisal education, publication and advocacy.

Appraisal Principles – The basic building blocks of the property valuation process, including property inspection, market analysis and basic economics.

Appraisal Report – The end result of the appraisal process usually consists of one major standardized form such as, the Uniform Residential Appraisal Report form 1004, as well as all supporting documentation and additional detail information. The purpose of the report is to convey the opinion of value of the subject property and support that opinion with corroborating information.

Appraisal Standards Board (ASB) – An independent board of the Appraisal Foundation, which writes, amends, and interprets USPAP. The ASB is composed of up to seven appraisers appointed by the Foundation's Board of Trustees. The ASB holds public meetings throughout the year to interpret and amend USPAP.

Appraised Value – An opinion of the fair market value of a property as developed by a licensed, certified appraiser following accepted appraisal principals.

Appraiser – An educated, certified professional with extensive knowledge of real estate markets, values and practices. The appraiser is often the only independent voice in any real estate transaction with no vested interest in the ultimate value or sales price of the property.

Appreciation – The natural rise in property value due to market forces.

Arms Length Transaction – Any transaction in which the two parties are unconnected and have no overt common interests. Such a transaction most often reflects the true market value of a property.

Assessed Value – The value of a property according to jurisdictional tax assessment.

Assessment – The function of assigning a value to a property for the purpose of levying taxes.

Assessment Ratio – The comparative relationship of a property’s assessed value to its market value.

Assessor – The jurisdictional official who performs the assessment and assigns the value of a property.

Asset – Any item of value which a person owns.

Assignment – Transfer of ownership of a mortgage usually when the loan is sold to another company.

Assumable Mortgage – A mortgage that can be taken over by the buyer when a home is sold.

Assumption – When a buyer takes over, or “assumes” the sellers mortgage.

Attached Housing – Any number of houses or other dwellings which are physically attached to one another, but are occupied by a number of different people. The individual houses may or may not be owned by separate people as well.

Backfill – The slope of the ground around a house.

Ball Cock Value – The valve inside a toilet tank that controls the filling of the tank.

Balloon Mortgage – A mortgage loan in which the monthly payments are not large enough to repay the loan by the end of the term. So at the end of the term, the remaining balance comes due in a single large payment.

Balloon Payment – The final large payment at the end of a balloon mortgage term.

Bankruptcy – When a person or business is unable to pay their debts and seeks protection of the state against creditors. Bankruptcies remain on credit records for up to ten years and can prevent a person from being able to get a loan.

Beam – A structural supporting member.

Bill of Sale – A physical receipt indicating the sale of property.

Biweekly Mortgage – A mortgage where you make “half payments” every two weeks, rather than one payment per month. This results in making the equivalent of 13 monthly payments per year, rather than 12, significantly reducing the time it takes to pay off a thirty year mortgage.

Blighted Area – Any region of a city or town that has fallen into disrepair or otherwise has become undesirable.

Bona Fide – Any genuine offer, made without intent to defraud or deceive.

Bridge Financing – An interim loan made to facilitate the purchase of a new home before the buyer’s current residence sells and its equity is available to fund the new purchase.

Bridging – Structural members used between beams to strengthen the structure.

Broker – An individual who facilitates the purchase of property by bringing together a buyer and a seller.

BTU – British Thermal Unit. A unit of measurement used to describe heating or cooling capacity.

Buffer Zone – A segment of land between two disparate municipal zones which acts as a shield to keep one zone from encroaching upon the other. Often used to separate residential districts from commercial areas.

Building Code – Regulations that ensure the safety and material compliance of new construction within a municipality. Building codes are localized to ensure they are adequate to meet the risk of common hazards.

Building Line or Setback – The statutory distance between buildings and the property line, imposed by municipalities, home associations, or other agreements.

Built-ins – Specific items of personal property which are installed in a real estate improvement such that they become part of the building. Built-in microwave ovens and dishwashers are common examples.

Bungalow – A one-story, home-style dating from the early twentieth century. Often characterized by a low-pitched roof.

Buy Down – Extra money paid in a lump sum to reduce the interest rate of a fixed rate mortgage for a period of time. The extra money may be paid by the borrower, in order to have a lower payment at the beginning of the mortgage. Or paid by the seller, or lender, as incentive to buy the property or take on the mortgage.

BX Cable – Electrical cable shrouded in a galvanized steel outer cover.

Call Option – A clause in a mortgage which allows the lender to demand payment of the outstanding balance at a specific time.

Cap – Associated with Adjustable Rate Mortgages. A limit on how high monthly payments or how much interest rates may change within a certain time period or the life of the mortgage.

Cape Cod Colonial – A single-story house style made popular in New England. Often characterized by a steep roof with gables.

Capital – Accumulated goods and money which is most often used to generate additional income.

Capital Expenditure – An outlay of funds designed to improve the income-producing capabilities of an asset or to extend its economic life.

Cash-Out Refinance – Refinancing a mortgage at a higher amount than the current balance in order to transform a portion of the equity into cash.

Caulking – A pliable material used to seal cracks or openings such as around windows.

Caveat Emptor – Literally translated: "Let the buyer beware." A common business tenet whereby the buyer is responsible for verifying any and all claims by the seller of property.

Certificate of Deposit – A document showing that the bearer has a certain amount of money, at a particular amount interest, on deposit with a financial institution.

Certificate of Deposit Index – An index based on the interest rate of six month CD's. Used to set interest rates on some Adjustable Rate Mortgages.

Certificate of Eligibility – A document issued by the Veterans Administration that certifies eligibility for a VA loan.

Certificate of Occupancy – Issued by an appropriate jurisdictional entity, this document certifies that a building complies with all building codes and is safe for use or habitation.

Certificate of Reasonable Value (CRV) – Usually based on an independent appraisal, a CRV for a particular property establishes the maximum amount which can be secured by a VA mortgage.

Certificate of Title – A document designating the legal owner of a parcel of real estate. Usually provided by a title or abstract company.

Certified General Appraiser – Generally, any professional who has met the local or state requirements, and passed the appropriate certification exam, and is capable of appraising any type of property.

Certified Residential Appraiser – A sub-classification of appraiser who is only licensed to appraise residential property, usually up to four units.

Chain of Title – The complete history of ownership of a piece of property.

Chattel – Any personal property which is not attached to or an integral part of a property. Chattel is not commonly taken into consideration when appraising the value of real property.

Circuit Breakers – Electrical devices which automatically open electrical circuits if they are overloaded.

Clear Title – Ownership of property that is not encumbered by any counter-claim or lien.

Closing – A torturous process designed to induce cramping in a home buyer's hands by requiring signature on countless pieces of documentation that nobody has ever read. Or, the process whereby the sale of a property is consummated with the buyer completing all applicable documentation, including signing the mortgage obligation and paying all appropriate costs associated with the sale (CLOSING COSTS).

Closing Costs – All appropriate costs generated by the sale of property which the parties must pay to complete the transaction. Costs may include appraisal fees, origination fees, title insurance, taxes and any points negotiated in the deal.

Closing Statement – The document detailing the final financial arrangement between a buyer and seller and the costs paid by each.

Co-Borrower – A second person sharing obligation on the loan and title on the property.

Collateral – An asset which is placed at risk to secure the repayment of a loan.

Collection – The process a lender takes to pursue a borrower who is delinquent on his payments in order to bring the mortgage current again. Includes documentation that may be used in foreclosure.

Co-Maker – A second party who signs a loan, along with the borrower, and becomes liable for the debt should the borrower default.

Common Law – As opposed to statute law. Laws that have been established by custom, usage and courts over many years.

Commission – A percentage of the sales price or a fixed fee negotiated by an agent to compensate for the effort expended to sell or purchase property.

Common Area Assessments – Fees which are charged to the tenants or owners of properties to cover the costs of maintaining areas shared with other tenants or owners. Commonly found in condominium, PUD or office spaces.

Common Areas – Any areas, such as entryways, foyers, pools, recreational facilities or the like, which are shared by the tenants or owners of property nearby. Commonly found in condominium, PUD or office spaces.

Community Property – In many jurisdictions, any property which has been acquired by a married couple.

The ownership of the property is considered equal unless stipulated otherwise by both parties.

Comparables – An abbreviated term used by appraisers to describe properties which are similar in size, condition, location and amenities to a subject property whose value is being determined. The Uniform Standards of Professional Appraisal Practice (USPAP) establish clear guidelines for determining a comparable property.

Compound Interest – Interest paid on the principal amount, as well as any accumulated interest.

Concessions – Additional value granted by a buyer or seller to entice another party to complete a deal.

Condemnation – The official process by which a property is deemed to be uninhabitable or unusable due to internal damage or other external conditions.

Condensation – The transition of water vapor to liquid. Typically forms in areas of high humidity.

Condominium – A development where individual units are owned, but common areas and amenities are shared equally by all owners.

Condominium Conversion – Commonly, the conversion of a rental property such as an apartment complex into a Condominium-style complex where each unit is owned rather than leased.

Conduit – The pipe through which electric wiring is run.

Construction Loan – A loan made to a builder or home owner that finances the initial construction of a property, but is replaced by a traditional mortgage one the property is completed.

Contiguous – Connected to or touching along an unbroken boundary.

Contingency – Something that must occur before something else happens. Often used in real estate sales when a buyer must sell a current home before purchasing a new one. Or, when a buyer makes an offer that requires a complete home inspection before it becomes official.

Contract – A legally binding agreement, oral or written, between two parties.

Conventional Mortgage – A traditional, real estate financing mechanism that is not backed by any government or other agency (FHA, VA, etc.).

Convertible ARM – A mortgage that begins as an adjustable, that allows the borrower to convert the loan to a fixed rate within a specific timeframe.

Cooperative (CO-OP) – A form of ownership where each resident of a multiunit property owns a share in a cooperative corporation that owns the building. With each resident having rights to a specific unit within the building.

Corporate Relocation – A situation where a person's employer pays all or some of the expenses associated with moving from one location to another, usually over a substantial distance. Relocation expenses often include the amounts, such as brokerage fees, incurred in the selling and buying of the employee's primary residence.

Cost of Funds Index (COFI) – An index of financial institutions costs used to set interest rates for some Adjustable Rate Mortgages.

Covenant – A stipulation in any mortgage that, if not met, can be cause for the lender to foreclose.

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Harmony Escrow offers a variety of resources online:

- Escrow Forms
- Industry Links & News
- Rates & Calculators
- Vesting Options
- Harmony Blog

Credit – A loan of money for the purchase of property, real or personal. Credit is either secured by an asset, such as a home, or unsecured.

Credit History – A record of debt payments, past and present. Used by mortgage lenders in determining credit worthiness of individuals.

Creditor – A person to whom money is owed.

Credit Report – A detailed report of an individual's credit, employment and residence history prepared by a credit bureau. Used by lenders to determine credit worthiness of individuals.

Credit Repository – Large companies that gather and store financial and credit information about individuals who apply for credit.

Cul-De-Sac – A dead-end street. One with only one entrance/exit.

Date of Appraisal – The specific point in time as of which an appraiser designates the value of a home. Often stipulated as the date of inspection.

Debt – An obligation to repay some amount owed. This may or may not be monetary.

Debt Equity Ratio – The ratio of the amount a mortgagor still owes on a property to the amount of equity they have in the home. Equity is calculated at the fair-market value of the home, less any outstanding mortgage debt.

Deed – A document indicating the ownership of a property.

Deed-in-Lieu (of Foreclosure) – A document given by a borrower to a lender, transferring title of the property. Often used to avoid credit-damaging foreclosure procedures.

Deed of Trust – A document which transfers title in a property to a trustee, whose obligations and powers are stipulated. Often used in mortgage transactions.

Deed of Reconveyance – A document which transfers ownership of a property from a Trustee back to a borrower who has fulfilled the obligations of a mortgage.

Deed of Release – A document which dismisses a lien or other claim on a property.

Deed of Surrender – A document used to surrender any claim a person has to a property.

Default – The condition in which a borrower has failed to meet the obligations of a loan or mortgage.

Delinquency – The state in which a borrow has failed to meet payment obligations on time.



Deposit – Cash given along with an offer to purchase property, Also called Earnest Money.

Depreciation – The natural decline in property value due to market forces or depletion of resources.

Detached Single-Family Home – A single building improvement intended to serve as a home for one family.

Discount Points – Points paid in addition to the loan origination fee to get a lower interest rate. One point is equal to one percent of the loan amount.

Distressed Property – A mortgaged property which has been foreclosed on.

Downspout – The pipe that water moves through to reach the ground from the rain gutter.

Due-On-Sale Provision – A clause in a mortgage giving the lender the right to demand payment of the full balance when the borrower sells the property.

Duplex – A single-building improvement which is divided and provides two units which serve as homes to two families.

Dwelling – A house or other building which serves as a home.

Down Payment – An amount paid in cash for a property, with the intent to mortgage the remaining amount due.

Earnest Money Deposit – A cash deposit made to a home seller to secure an offer to buy the property. This amount is often forfeited if the buyer decides to withdraw his offer.

Easement – The right of a non-owner of property to exert control over a portion or all of the property. For example, power companies often own an easement over residential properties for access to their power lines.

Eave – The part of the roof that extends beyond the exterior wall.

Economic Depreciation – The decline in property value caused by external forces, such as neighborhood blight or adverse development.

Economic Life – The amount of time which any income-producing property is able to provide benefits to its owner.

Effective Age – The subjective, estimated age of a property based on its condition, rather than the actual time since it was built. Excessive wear and tear can cause a property's effective age to be greater than its actual age.

Eminent Domain – The legal process whereby a government can take ownership of a piece of property in order to convert it to public use. Often, the property owner is paid fair-market value for the property.

Encroachment – A building or other improvement on one property which invades another property or restricts its usage.

Encumbrance – A claim against a property. Examples are mortgages, liens and easements.

Energy Efficiency Ratio – An efficiency rating system for air conditioning units that corresponds to the number of BTU's output per watt of electricity used.

Equal Credit Opportunity Act (ECOA) – U.S. federal law requiring that lenders afford people equal chance of getting credit without discrimination based on race, religion, age, sex etc

Equity – The difference between the fair market value of a property and that amount an owner owes on any mortgages or loans secured by the property.

Equity Buildup – The natural increase in the amount of equity an owner has in a property, accumulated through market appreciation and debt repayment.

Errors and Omissions Insurance – An insurance policy taken out by appraisers to cover their liability for any mistakes made during the appraisal process.

Escrow – An amount retained by a third party in a trust to meet a future obligation. Often used in the payment of annual taxes or insurance for real property.

Escrow Account – An account setup by a mortgage servicing company to hold funds with which to pay expenses such as homeowners insurance and property taxes. An extra amount is paid with regular principal and interest payments that go into the escrow account each month.

Escrow Analysis – An analysis performed by the lender usually once each year to see that the amount of money going into the escrow account each month is correct for the forecasted expenses.

Escrow Disbursements – The payout of funds from an escrow account to pay property expenses such as taxes and insurance.

Estate – The total of all property and assets owned by an individual.

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

Exclusive Listing – An agreement between the owner of a property and a real estate agent giving the agent exclusive right to sell the property.

Executor – The person named in a will to administer the estate.

Façade – The front exposure of any building. Often used to describe an artificial or false front which is not consistent with the construction of the rest of the building.

Fair Credit Reporting Act – A federal law regulating the way credit agencies disclose consumer credit reports and the remedies available to consumers for disputing and correcting mistakes on their credit history.

Fair Market Value – The price at which two unrelated parties, under no duress, are willing to transact business.

Fannie Mae – A private, shareholder-owned company that works to make sure mortgage money is available for people to purchase homes. Created by Congress in 1938, Fannie Mae is the nation's largest source of financing for home mortgages.

Fascia – The boards that enclose the eaves.

Federal Deposit Insurance Corporation (FDIC) – The U.S. Government agency created in 1933 which maintains the stability of and public confidence in the nation's financial system by insuring deposits and promoting safe and sound banking practices.

Federal Housing Administration (FHA) – A sub-agency of the U.S. Department of Housing and Urban Development created in the 1930's to facilitate the purchase of homes by low-income, first-time home buyers. It currently provides federally-subsidized mortgage insurance for private lenders.

Fee Appraiser – A certified, professional appraiser who forms an opinion of the fair market value of property and receives a set fee in exchange.

Fee Simple – A complete, unencumbered ownership right in a piece of property.

Fee Simple Estate – A form of ownership, or holding title to real estate. It is the most complete form of title, having an unconditional and unlimited interest of perpetual duration.

FHA Mortgage – A mortgage that is insured by the Federal Housing Administration (FHA).

Final Value Estimate – The opinion of value of a piece of property resulting from an appraisal following the USPAP guidelines.

First Mortgage – The primary loan or mortgage secured by a piece of property.

Fixed-Rate Mortgage (FRM) – A mortgage which has a fixed rate of interest over the life of the loan.

Fixture – Any piece of personal property which becomes permanently affixed to a piece of real property.

Flashing – The metal used around the base of roof mounted equipment, or at the junction of angles used to prevent leaking.

Flood Insurance – Supplemental insurance which covers a home owner for any loss due to water damage from a flood. Often required by lenders for homes located in FEMA-designated flood zones.

Floor Plan – The representation of a building which shows the basic outline of the structure, as well as detailed information about the positioning of rooms, hallways, doors, stairs and other features. Often includes detailed information about other fixtures and amenities.

Flue – The furnace exhaust pipe, usually going through the roof.

Flush Valve – The valve between the toilet bowl and the tank.

Footing – The partially buried support for a vertical structural member such as a post.

Foreclosure – The process whereby a lender can claim the property used by a borrower to secure a mortgage and sell the property to meet the obligations of the loan.

Forfeiture – The loss of property or money due to the failure to meet the obligations of a mortgage or loan secured by that property.

Foundation – The solid structural element upon which a structure is built.

Frontage – The segment of a property that runs along a point of access, such as a street or water front.

Functional Obsolescence – A decrease in the value of property due to a feature or lack thereof which renders the property undesirable. Functional obsolescence can also occur when the surrounding area changes, rendering the property unusable for its originally intended purpose.

Gable Roof – A steeply angled, triangular roof.

Galvanized Pipe – Iron pipe with a galvanized (zinc) coating.

Gambrel Roof – A "barn-like" roof, where the upper portion of the roof is less-steeply angled than the lower part.

General Lien – A broad-based claim against several properties owned by a defaulting party.

Georgian – A classic, English-style house characterized by simple rectangular shape and multiple stories.

GFI – Ground Fault Interrupter. A type of circuit breaker required in areas where water is present.

Ginnie Mae – A wholly owned corporation created in 1968 within the U.S. Department of Housing and Urban Development to serve low-to moderate-income homebuyers.

Girder – A main supporting beam.

Government Mortgage – Any mortgage insured by a government agency, such as the FHA or VA.

Grade – The slope of land around a building. Also ground level.

Grantee – Any person who is given ownership of a piece of property.

Grantor – Any person who gives away ownership of a piece of property.

Gross Area – The sum total of all floor space, including areas such as stairways and closet space. Often measured based on external wall lengths.

Grouting – Material used around ceramic tile.

Gutter – The trough around the edge of the roof that catches and diverts rain.

Half-Section – 320 acres.

Hazard Insurance – Insurance covering damage to a property caused by hazards such as fire, wind and accident.

Header – The framing elements above an opening such as a window or door.

Hearth – The floor of a fireplace or the area immediately in front of it.

Height Zoning – A municipal restriction on the maximum height of any building or other structure.

Hidden Amenities – Assets of a property which contribute to its value, but are not readily apparent. Examples might include upgraded or premium building materials.

Highest and Best Use – The most profitable and likely use of a property. Selected from reasonably probable and legal alternative uses, which are found to be physically possible, appropriately supported and financially feasible to result in the highest possible land value.

Home Equity Conversion Mortgage (HECM) – Also known as a reverse annuity mortgage. It allows home owners (usually older) to convert equity in the home into cash. Normally paid by the lender in monthly payments. HECM's typically do not have to be repaid until the borrower is no longer occupying the home.

Home Equity Line of Credit – A type of mortgage loan that allows the borrower to draw cash against the equity in his home.

Home Inspection – A complete examination of a building to determine its structural integrity and uncover any defects in materials or workmanship which may adversely affect the property or decrease its value.

Home Inspector – A person who performs professional home inspections. Usually, with an extensive knowledge of house construction methods, common house problems, how to identify those problems and how to correct them.

Homeowner's Association – An organization of home owners in a particular neighborhood or development formed to facilitate the maintenance of common areas and to enforce any building restrictions or covenants.
Homeowner's Insurance – A policy which covers a home owner for any loss of property due to accident, intrusion or hazard.

Homeowner's Warranty – An insurance policy covering the repair of systems and appliances within the home for the coverage period.

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

HUD-1 Statement – A standardized, itemized list, published by the U.S. Department of Housing and Urban Development (HUD), of all anticipated Closing Costs connected with a particular property purchase.

Improved Land – Any parcel of land which has been changed from its natural state through the creation of roads, buildings or other structures.

Improvements – Any item added to vacant land with the intent of increasing its value or usability.

Improvement Ratio – The comparative value of an improved piece of land to its natural, unaltered state.

Income Approach – The process of estimating the value of property by considering the present value of a stream of income generated by the property.

Income Property – A piece of property whose highest and best use is the generation of income through rents or other sources.

Independent Appraisal – An estimation of value created by a professional, certified appraiser with no vested interest in the value of the property.

Inspection – The examination of a piece of property, its buildings or other amenities.

Insurable Title – The title to property which has been sufficiently reviewed by a title insurance company, such that they are willing to insure it as free and clear.

Interest Rate – A percentage of a loan or mortgage value that is paid to the lender as compensation for loaning funds.

Investment Property – Any piece of property that is expected to generate a financial return. This may come as the result of periodic rents or through appreciation of the property value over time.

Jamb – The side of a door frame.

Joint Tenancy – A situation where two or more parties own a piece of property together. Each of the owners has an equal share, and may not dispose of or alter that share without the consent of the other owners.

Joists – Horizontal beams laid on edge to support flooring or a ceiling.

Judgment – An official court decision. If the judgment requires payment from one party to another, the court may put a lien against the payee's property as collateral.

Judicial Foreclosure – A type of foreclosure conducted as a civil suit in a court of law.

Jumbo Loan – A mortgage loan for an amount greater than the limits set by Fannie Mae and Freddie Mac. Often called non-conforming loans.

Lally Column – A concrete filled steel pipe used to support beams.

Late Charge – An extra charge, or penalty added to a regular mortgage payment when the payment is made late by an amount of time specified in the original loan document.

Latent Defects – Any defect in a piece of property which is not readily apparent, but which has an impact of the value. Structural damage or termite infestation would be examples of latent defects.

Lease – A contract between a property owner and a tenant specifying the payment amount, terms and conditions, as well as the length of time the contract will be in force.

Leasehold Estate – A type of property "ownership" where the buyer actually has a long-term lease on the property.

Lease Option – A lease agreement that gives the tenant an option to buy the property. Usually, a portion of the regular monthly rent payment will be applied towards the down payment.

Legal Description – The description of a piece of property, identifying its specific location in terms established by the municipality or other jurisdiction in which the property resides. Often related in specific distances from a known landmark or intersection.

Lender – The person or entity who loans funds to a buyer. In return, the lender will receive periodic payments, including principal and interest amounts.

Liabilities – A person's outstanding debt obligations.

Liability Insurance – Insurance that covers against potential lawsuit brought against a property owner for alleged negligence resulting in damage to another party.

Lien – Any claim against a piece of property resulting from a debt or other obligation.

Life Cap – A limit on how far the interest rate can move for an Adjustable Rate Mortgage.

Like-Kind Property – Any property which is substantially similar to another property.

Line of Credit – An extension of credit for a certain amount for a specific amount of time. To be used by the borrower at his discretion.

Liquid Asset – Any asset which can be quickly converted into cash at little or no cost, or cash itself.

Loan – Money borrowed, to be repaid with interest, according to the specific terms and conditions of the loan.

Loan Officer – A person that "sells" loans, representing the lender to the borrower, and the borrower to the lender.

Loan Origination – How a lender refers to the process of writing new loans.

Loan Servicing – The processing of payments, mailing of monthly statements, management and disbursement of escrow funds etc Typically carried out by the company you make payments to.

Loan-To-Value Ratio (LTV) – The comparison of the amount owed on a mortgaged property to its fair market value.

Lock-In – An agreement between a lender and a borrower, guaranteeing an interest rate for a loan if the loan is closed within a certain amount of time.

Lock-In Period – The amount of time the lender has guaranteed an interest rate to a borrower.

Major Deficiency – A deficiency that strongly impacts the usability and habitability of a house. Or a deficiency that may be very expensive to repair.

Manufactured Housing – Once known as "mobile homes," manufactured housing is any building which has been constructed off site, then moved onto a piece of real property.

Margin – The difference between the interest rate and the index on an adjustable rate mortgage

Marginal Land – Land whose value has been diminished due to some internal defect or external condition. In most cases, the cost to correct the flaw or condition is as much or more than the expected return from the property.

Master Association – An umbrella organization that is made up of multiple, smaller home owners associations. Often found in very large developments or condominium projects.

Maturity – The date on which the principal balance of a financial instrument becomes due and payable.

Merged Credit Report – A credit report derived from data obtained from multiple credit agencies.

Metes and Bounds – A traditional way of describing property, generally expressed in terms of distance from a known landmark or intersection, and then following the boundaries of the property back to its origin.

Metropolitan Area – The accumulated land in and around a city or other municipality which falls under the political and economic influence of that entity.

Mineral Rights – The legal right to exploit and enjoy the benefits of any minerals located below the surface of a parcel of land.

Misrepresentation – A statement by one party in a transaction that is incorrect or misleading. Most misrepresentations are deemed to be intentional and thus may constitute fraud. Others, however, some are rendered through simple mistakes, oversights or negligence.

Mortgage – A financial arrangement wherein an individual borrows money to purchase real property and secures the loan with the property as collateral.

Mortgage Banker – A financial institution that provides primary and secondary mortgages to home buyers.

Mortgage Broker – A person or organization that serves as a middleman to facilitate the mortgage process. Brokers often represent multiple mortgage bankers and offer the most appropriate deal to each buyer.

Mortgagee – The entity that lends money in a real estate transaction.

Mortgage Insurance – A policy that fulfills those obligations of a mortgage when the policy holder defaults or is no longer able to make payments.

Mortgage Insurance Premium (MIP) – A fee that is often included in mortgage payments that pays for mortgage insurance coverage.

Mortgage Life Insurance – A policy that fulfills the obligations of a mortgage when the policy holder dies.

Mortgagor – The entity that borrows money in a real estate transaction.

Multi-Family Properties – Any collection of buildings that are designed and built to support the habitation of more than four families.

National Association of Master Appraisers (NAMA) – A non-profit professional association organized in 1982, dedicated to the advancement of professionalism in real estate appraisal.

National Society of Real Estate Appraisers – An organization founded in 1956 which promotes standards of professionalism in its members.

Natural Vacancy Rate – The percentage of vacant properties in a given area that is the result of natural turn-over and market forces.

Negative Amortization – When the balance of a loan increases instead of decreases. Usually due to a borrower making a minimum payment on an Adjustable Rate Mortgage during a period when the rate fluctuates to a high enough point that the minimum payment does not cover all of the interest.

Neighborhood Life-Cycle – The evolution of neighborhood use and demographics over time. Economic fluctuations, municipal zoning changes and population shifts can affect the life cycle.

Neighborhood – A subsection of a municipality that has been designated by a developer, economic forces or physical formations.

Net Leasable Area – The space in a development, outside of the common areas, that can be rented to tenants.

New England Colonial – An architectural style dating from early American history typified by a two-story building with clapboard siding.

No-Cost Loan – Many lenders offer loans that you can obtain at “no cost.” You should inquire whether this means there are no “lender” costs associated with the loan, or if it also covers the other costs you would normally have in a purchase or refinance transactions, such as title insurance, escrow fees, settlement fees, appraisal, recording fees, notary fees, and others. These are fees and costs which may be associated with buying a home or obtaining a loan, but not charged directly by the lender. Keep in mind that, like a “no-point” loan, the interest rate will be higher than if you obtain a loan that has costs associated with it.

No-Point Loan – A loan with no “points”. The interest rate on such a loan will be higher than a loan with points paid. Also sometimes refers to a refinance loan where closing costs are included in the loan.

Non-Conforming Use – The use of land for purposes contrary to the applicable municipal zoning specifications. Often occurs when zoning changes after a property is in use.

Non-liquid Asset – Any asset which cannot be quickly converted into cash at little or no cost.

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

Note Rate – The interest rate stated on a mortgage note.

Notice of Default – Formal written notice from a lender to a borrower that default has occurred.

Obsolescence – The process of an assets value diminishing due to the development of more desirable alternatives or because of the degradation of its capabilities.

Occupancy – A physical presence within and control of a property.

Occupancy Rate – The percentage of properties in a given area that are occupied.

Octopus Receptacle – An outlet with too many devices plugged into it, using a power strip or other device to multiply the outlets.

Off-Site Improvements – Buildings, structures or other amenities which are not located on a piece of property, but are necessary to maximize the use of the property or in some way contribute to the value of the property.

Off-Street Parking – Designated parking spaces associated with a particular building or other structure which are not located on public streets.

Old Termite Activity – Where no termites are currently active, but indications of past activity can be seen.

On-Site Improvements – Buildings, structures or other amenities that are erected on a piece of property and contribute to its value.

Open Space – Any land which has not had any significant buildings or structures erected on it. Most often used to describe desirable neighborhood features like parks.

Open Splice – An uncovered electrical connection.

Original Equity – The amount of cash a home buyer initially invests in the home.

Original Principal Balance – The total amount of principal owed on a mortgage loan at the time of closing.

Origination Fee – Refers to the total number of points paid by a borrower at closing.

Owner Financing – A transaction where the property owner provides all or part of the financing.

Owner Occupied – The state of property wherein the owner occupies at least some portion of the property.

Parging – The cement coat applied to block foundations.

Partial Interest – A shared ownership in a piece of property. May be divided among two or more parties.

Partial Payment – A payment of less than the regular monthly amount. Usually, a lender will not accept partial payments.

Periodic Payment Cap – The limit on how much regular monthly payments on an Adjustable Rate Mortgage can change during one adjustment period.

Periodic Rate Cap – The limit on how much the interest rate on an Adjustable Rate Mortgage can change during any one adjustment period.

Personal Property – Owned items which are not permanently affixed to the land.

Personal Residence – The primary domicile of a person or family.

Planned Unit Development (PUD) – A coordinated, real estate development where common areas are shared and maintained by an owner's association or other entity.

Plat – A plan or chart of a piece of land which lays out existing or planned streets, lots or other improvements.

Point – A percentage of a mortgage amount (one point = 1 percent).

Pre-Approval – The process of applying for a mortgage loan and becoming approved for a certain amount at a certain interest rate before a property has been chosen. Pre-approval allows the borrower greater freedom in negotiations with sellers.

Prefabricated – Any building or portion thereof which is manufactured and assembled off site, then erected on a property.

Prepayment – Payment made that reduces the principal balance of a loan before the due date and before the loan has become fully amortized.

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

Pre-Qualification – Less formal than pre-approval, pre-qualification usually means a written statement from a loan officer indicating his or her opinion that the borrower will be able to become approved for a mortgage loan.

Prime Rate – The interest rate that banks and other lending institutions charge other banks or preferred customers.

Principal – The amount owed on a mortgage which does not include interest or other fees.

Principal Balance – The outstanding balance of principal on a mortgage. Does not include interest due.

Principal, Interest, Taxes, and Insurance (PITI) – The most common constituents of a monthly mortgage payment.

Private Mortgage Insurance (PMI) – A form of mortgage insurance provided by private, non-government entities. Normally required when the Loan to Value Ratio is less than 20%.

Property – Any item which is owned or possessed.

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

Quadrplex – Any building designed to accommodate four families.

Qualifying Ratios – Two ratios used in determining credit worthiness for a mortgage loan. One is the ratio of a borrower's monthly housing costs to monthly income. The other is a ratio of all monthly debt to monthly income.

Quitclaim Deed – A legal document which transfers any ownership an individual has in a piece of property. Often used when the amount of ownership is not known or is unclear.

Rafter – A structural element of the roof, sloping from the peak to the outer walls.

Ranch House – An architectural style typified by a single-story, low-roof construction. Popular in the western U.S.

Rate Lock – A guarantee from a lender of a specific interest rate for a period of time.

Raw Land – Any land which has not been developed.

Real Estate – A piece of land and any improvements or fixtures located on that land.

Real Estate Agent – A licensed professional who facilitates the buying and selling of real estate.

Real Estate Settlement Procedures Act (RESPA) – A federal law requiring lenders to give full disclosure of closing costs to borrowers.

Real Property – Land, improvements and appurtenances, and the interest and benefits thereof.

Realtor ® – A real estate agent or broker who is a member of the National Association of Realtors®

Receptacle – An electrical outlet to plug into.

Recorder – A local government employee whose role it is to keep records of all real estate transactions within the jurisdiction.

Recording – The filing of a real estate transaction with the appropriate government agent (normally the Recorder). A real estate transaction is considered final when it is recorded.

Refinance Transaction – A new loan to pay off an existing loan. Typically to gain a lower interest rate or convert equity into cash.

Register – Where air from a furnace or air conditioning system enters the room.

Relocation Service – Any company or agency that assists corporate employees in relocating from one place to another. Services may include hiring and coordinating real estate agents, moving companies, utilizes and the like.

Remaining Balance – The amount of principal, interest and other costs that has not yet been repaid.

Remaining Term – The amount of time remaining on the original amortization schedule.

Remodel – An activity designed to improve the value or desirability of a property through rebuilding, refurbishing, redecorating or adding on to it.

Repayment Plan – A plan to repay delinquent payments, agreed upon between a lender and borrower, in an effort to avoid foreclosure.

Replacement Reserve Fund – An account, or fund, setup for the replacement of short life items, such as carpeting, in the common areas of a cooperative property.

Residential Property – A piece of property whose highest and best use is the maintenance of a residence.

Revolving Debt – A type of credit that allows the borrower/customer to make charges against a predetermined line of credit. The customer then pays monthly installments on the amount borrowed, plus interest.

Ridge Board – The structural member of a roof where the rafters join at the top.

Right of First Refusal – An agreement giving a person the first opportunity to buy or lease a property before the owner offers it for sale to others.

Roof Pitch – The degree of slope in a roof.

Rural – An area outside of an established urban area or metropolitan district.

Sale Price – The actual price a property sells for, exclusive of any special financing concessions.

Sales Comparison Approach – An appraisal practice which estimates the value of a property by comparing it to comparable properties which have sold recently.

Scarcity – An economic principal that dictates the price of a good or service through the interaction of supply and demand. When an item is scarce, its price tends to rise, given a constant demand. Real Estate is a classic example of scarcity.

Second Mortgage – A loan secured by the equity in a home, when a primary mortgage already exists.

Secondary Mortgage Market – An economic marketplace where mortgage bankers buy and sell existing mortgages.

Secured Loan – A loan that is backed by collateral. In the case of a mortgage loan, the collateral is the house.

Security – The property used as collateral for a loan.

Semidetached Housing – Two residences which share a common wall.

Servicer – A financial institution which collects mortgage payments from borrowers and applies the appropriate portions to principal, interest and any escrow accounts.

Servicing – The processing of payments, mailing of monthly statements, management and disbursement of escrow funds etc Typically carried out by the company you make payments to.

Sheathing – The covering on outside walls beneath the siding or exterior finish such as stucco.

Sheetrock – Also called drywall, the gypsum board commonly used on interior walls.

Sill Plate – The lumber used around the foundation to support exterior wall framing.

Sill Cock – Garden hose pipe connection.

Single-Family Property – A property designed and built to support the habitation of one family.

Soffit – The underside of a cornice at the eaves.

Stucco – A textured plaster exterior (and occasionally interior) wall finish.

Stud – A vertical framing piece in a wall, generally 2×4 lumber in interior walls.

Subdivision – A residential development that is created from a piece of land which has been subdivided into individual lots.

Subject Property – A term which indicates a property which is being appraised.

Sump – A basin into which water drains and from which the water is pumped out.

Survey – A specific map of a piece of property which includes the legal boundaries and any improvements or features of the land. Surveys also depict any rights-of-way, encroachments or easements.

Sweat Equity – The method whereby a home owner develops equity in a property, either during the purchase or throughout its life, by personally constructing improvements rather than paying to have them built.

Tax-Exempt Property – Any property which is not taxed.

Tenancy – The right to occupy a building or unit.

Tenancy in Common – A form of holding title, whereby there are two or more people on title to a property, ownership does not pass on to the others upon the death of one individual.

Third Party Origination – When a lender uses a third party to originate and package loans for sale to the secondary market (Fannie Mae, Freddie Mac).

Title – A specific document which serves as proof of ownership.

Title Company – An organization which researches and certifies ownership of real estate before it is bought or sold. Title companies also act as the facilitator ensures all parties are paid during the real estate transaction.

Title Insurance – A policy which insures a property owner should a prior claim arise against the property after the purchase has been completed. This also covers a lender should a question of ownership arise.

Title Search – The process whereby the Title Company researches a properties title history and ensures that no outstanding claims exist.

Transfer of Ownership – Any means by which the ownership of a property changes hands.

Transfer of Tax – Taxes payable when title passes from one owner to another.

Trap – A bend in water pipe.

Trustee – A fiduciary that holds or controls property for the benefit of another.

Truth in Lending – A federal law requiring full disclosure by lenders to borrowers of all terms, conditions and costs of a mortgage.

Tudor – A style of architecture typified by exposed stone, wood and brick construction. Similar in style to English manor homes.

Under Improved Land – A piece of land which has been improved, but not to the full extent of its potential.

Unencumbered Property – Any property which has no outstanding claims or liens against it.

Uniform Standards of Professional Appraisal Practice (USPAP) – Developed in 1986 by the Ad Hoc Committee on Uniform Standards and copyrighted in 1987 by The Appraisal Foundation, USPAP forms the guidelines followed by every licensed and certified real estate appraiser in the United States. The purpose of these Standards is to establish requirements for professional appraisal practice, which includes appraisal, appraisal review, and appraisal consulting. The intent of these Standards is to promote and maintain a high level of public trust in professional appraisal practice.

Useful Life – The span of time over which a property can be used or can provide benefits to its owner.

Vacancy Rate – The current percentage of vacant properties in a given area, regardless of why they are vacant.

VA Mortgage – A mortgage that is guaranteed by the Department of Veterans Affairs (VA).

Variance – An exception to municipal zoning regulations granted for a specific time period to allow for non-conforming use of the land.

Vent Pipe – A pipe allowing gas to escape.

Vested – Having the right to use a portion of a fund such as an IRA. Typically vesting occurs over time. If you are 100% vested, you have a right to 100% of the fund.

Veterans Affairs, Department of (VA) – The successor to the Veteran's Administration, this government agency is responsible for ensuring the rights and welfare of our nation's veterans and their dependents. Among other duties, the VA insures home loans made to veterans.

Voltage – An expression of electric force, or pressure. One volt being the force needed to move one amp against one ohm resistance.

Walk-Through Inspection – A process whereby an appraiser examines a property in preparation for estimating its value. Also, the process of inspecting a property for any damage prior to that property being bought or sold.

Warranty – An affidavit given to stipulate the condition of a property. The person giving the warranty assumes liability if the condition turns out to be untrue.

Watt – An expression of amount of electrical power. Volt times amps equals watts.

Wear and Tear – A term used to indicate the normal damage inflicted on a property through every-day use.

Weather Stripping – Material used around windows and doors to prevent drafts.

Weep Hole – Drainage hole that allows water to escape.

Zero Lot Line – A municipal zoning category wherein a building or other fixture may abut the property line.

Zone – A specific area within a municipality or other jurisdiction which conforms to certain guidelines regarding the use of property in the zone. Typical zones include single-family, multi-family, industrial, commercial and mixed-use.



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