

BARNES REAL ESTATE GROUP, INC.

Real Estate Glossary

The following are real estate terms that will come up during the process of selling and purchasing residential real estate. Most terms apply to both buyers and sellers, but some are more specific to buyers, and others are more specific to sellers. All definitions are simplified for easy reading.

Addendum – a written agreement with additional terms and conditions that weren't included in the original contract.

Agency Agreement – a detailed agreement outlining the responsibilities a salesperson or brokerage has with an individual or party. Generally speaking there are 3 types of relationships you can have with an agent: Seller agency, Buyer agency, and Dual Agency:

Agency Relationship – an agreed upon relationship between an individual or party and a real estate salesperson or brokerage.

- ✓ **Buyer's Agent** – when an agent or broker agrees to act in a buyer's best interest during a transaction. (Extra: Before agency agreements were used in residential real estate most of the public assumed that the agent assisting them in their search for a home automatically acted in their best interest. However, NYS Law stated that all licensed salespersons assisting buyers were sub-agents of the listing broker; therefore, they were acting in the SELLERS's best interest!)
- ✓ **Seller's Agent** – when an agent or broker agrees to act in a seller's best interest
- ✓ **Dual Agent** – when an agent or broker is under contract to represent both the buyer and the seller in a transaction, while maintaining integrity to both. Each party must give the agent written permission to act in this capacity.

Affordable Housing – housing geared towards low to moderate income individuals and families.

Affordable Housing Developer - developers that focus on providing housing for low to moderate income families and individuals.

Agent/Licensed Salesperson - an individual acting on behalf of another person or party in a real estate transaction. In most cases the person acting on behalf of others are licensed by the state they're located in. Agent and Licensed Sales Person are usually used interchangeably, but someone can act as an agent, but not be licensed. (EXTRA: The overwhelming majority of salespeople working for home builders are not licensed, nor are they independent contractors; they are employees of the builder.)

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Annual Percentage Rate - the total costs of a loan, including interest and bank fees over a year's time.

Appraisal - a detailed document or set of documents showing how a property's value was determined.

Appraiser – a person licensed in a particular state to perform appraisals.

Assessed Value (Property Assessment) – the value placed on a property by a city/town/county in order to help determine how much you will pay in property taxes. It's usually a percentage of the market value

Associate Broker & Broker – brokers are salespeople that have taken and passed additional courses and met certain criteria in order to have the title. Associate Brokers are brokers whose license is being held by another broker, usually titled Designated or Principle Broker.

Attorney Approval/Disapproval – a written statement from an attorney stating whether they approve or disapprove contract documents.

Buyer's Market – when market conditions are favorable to buyers. There's usually more supply (houses) than buyers. This condition usually keeps prices stable or sometimes lower depending on other economic factors.

Closing Costs - charges and fees associated with a mortgage from the lender and settlement service providers.

Closing Disclosure – mandated by the Real Estate Settlement Procedures Act, this disclosure breaks down the costs associated with a mortgage and purchasing a particular piece of property. The lender must deliver this disclosure to the borrower 3 days prior to closing. (Extra: The Closing Disclosure has taken the place of the HUD-1)

Closing/Close of Escrow – an agreed upon time and date by all parties involved to transfer the title from the seller to the purchaser.

Contingency – a written agreement between the buyer and seller regarding a specific action that needs to take place in order for the contract of sale to become or remain legally binding.

Contract of Sale/Purchase Contract – a written agreement between a buyer and a seller detailing the terms and conditions of a property for sale or exchange.

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Conventional Mortgage – standard mortgage products offered by most banks or financial institutions.

Deed – a legal document used to transfer title (ownership rights to a property) from one party to another.

Deposit (Good Faith or Ernst Money Deposit) – a certain amount of consideration (usually money) that a purchaser gives a seller to show “good faith” or “true intent” of purchasing the property. This is a negotiated figure between the parties of the contract.

Down payment – a contribution towards the purchase of a property. This requirement is dictated by the lender, and is usually a percentage of the sales price or mortgage amount. Typical down payments are: 3%, 5%, 10%, and 20%.

Escrow – an account set-up to set aside or withhold funds during or after a transaction. Property Tax and Hazard Insurance escrows are most commonly heard in residential real estate.

Fair Housing Act – federal legislation adopted into law to protect individuals from discrimination when trying to rent or purchase a home, or obtain financing for a home. Currently it’s against the law to discriminate based on race, color, national origin, religion, sex, familial status, and disability.

[NY Fair Housing Notice](#)

[US Fair Housing Act](#)

FHA Mortgage - a mortgage product that’s offered by a bank or lender that’s insured by the Federal Housing Administration, a division of Housing & Urban Development (HUD). Insured meaning that FHA will guarantee (pay) the lender if the individual(s) default on the loan. These mortgages were created to help increase homeownership by reducing down payments and relaxing credit criteria.

Final Walk-through/Final Inspection – when a purchaser of a property inspects the property shortly before closing. The purpose is to see if the property is in the same condition as it was when they entered into a contract, or to see if the agreed upon repairs, if any, have been completed.

Handholding Approach – a level of service offered by Barnes Real Estate Group (BREG) that gives customers and clients complete confidence in knowing that they’re not going through the often stressful process of buying and selling real estate alone. BREG is there from the initial telephone conversation until closing, and even beyond that!

- ✓ BREG prepares customers for each phase of the transaction,
- ✓ BREG refers professionals that offer good customer service,

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- ✓ BREG is ALWAYS available to LISTEN to any concerns, then come up with an action plan,
- ✓ BREG is ALWAYS ready to help explain things that might not make sense at the time, and
- ✓ BREG assists customers with housing related issues well beyond closing.

Home Inspection – a detailed report summarizing the current condition of a property. The report will usually have separate sections for the different components of a house. For example: plumbing electrical, HVAC, interior, exterior, etc.

Home Inspector – a person that’s usually licensed in a particular state to perform home inspections. (Extra: Surprisingly in New York State inspectors weren’t always required to be licensed! Meaning that family member we all seem to have that claims to know everything about property at one time could act as a home inspector!)

HUD 1 – in the past this was a detailed statement showing the final accounting of a transaction. It shows all the funds contributed to the transaction by the purchaser(s), and all the funds received and paid-out by the seller(s). This document has been replaced with the “Closing Disclosure”. If you closed on a property prior to October 2015 you received a HUD-1 statement.

Interest – the costs of borrowing money.

Listing Contract – a detailed agreement between a brokerage and a property owner that gives the broker and/or its’ agents consent to represent the seller in the sale, rental, or exchange of a piece of property.

Listing Price – the price in which a property is offered for sale, rent, or exchange.

Market Analysis – a detailed overview of the current or future conditions for one or multiple demographics.

Mortgage – a written agreement between a lender and a customer detailing the terms and conditions of a loan that the lender is giving the customer to purchase a property.

Mortgage Application - a formal written request to a lender to borrow money to purchase property, or to refinance a property that’s already owned.

Mortgage Approval/Mortgage Commitment – a lender’s written document stating that they are willing to lend (commit to lending) to the applicant(s) applying for the mortgage based on the terms and conditions outlined in the document.

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Mortgage Conditions – requirements set forth by a lender in which the applicant(s) must adhere to or satisfy prior to and/or after closing.

Mortgage Insurance – An insurance policy that's purchased by the buyer of a property with their lender being the benefactor if the owner defaults on their loan. Typically, this is required when there's less than a 20% down payment on a property.

Mortgage Pre-Approval – a process that allows a lender to examine a potential customer's income, debt, assets, and credit prior to them completing a formal mortgage application. Once examined and satisfactory a maximum mortgage amount is determined based on the type of loan the customer most qualifies for. Obtaining this approval should be the first formal step in the home buying process, and usually establishes the budget for the customer.

Multiple Listing Service (MLS) – a service owned by a local or regional board of realtors where they list and share information regarding their properties for sale.

Note/Promissory Note – a party's signed acknowledgement / PROMISE to repay a loan/mortgage.

Open House – when a seller and/or its agent holds a property open at a specific time for potential purchasers to view it.

Points - pre-paid interest to reduce the mortgage interest rate

Pre-Paid - items that a bank or lender require to be paid upfront for a certain amount of time to establish an escrow. Homeowner's insurance and property taxes are the most common pre-paid.

Private Showing – when a potential purchaser schedules an appointment with their agent to view a property without others being present.

Real Estate Attorney/Lawyer – an attorney or lawyer that focuses primarily on real estate matters. They look out for your best interest from a legal point of view during a transaction.

Real Estate Settlement Procedures Act (RESPA) – federal legislation adopted into law for real estate settlement providers and financial institutions to provide consumers with timely disclosures and costs associated with mortgage products that the consumer is interested in or has applied for. The goal is to provide the consumer ample time to make informed decisions based on the information received by the provider(s).

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Realtor – a licensed salesperson, associate broker, or broker belonging to the National Association of Realtors (NAR). NAR is the largest trade group in the United States, and its’ membership is governed by a Code of Ethics, unlike non-Realtors.

Rider – an addendum regarding a specific subject matter, however, riders can be attached at the time of the original contract and after the original contract signing.

Seller’s Market – when market conditions are favorable to sellers. There’s usually less supply (houses) than buyers. This condition causes prices to increase due to high demand.

Sellers / Listing Agent – a brokerage or agent contracted to assist an owner with the sale, rental, or exchange of their property.

Sellers Net Worksheet – an estimate of costs associated with selling a particular piece or group of properties.

Settlement Costs – the total amount needed to close a transaction. Typically, Down Payment + Closing Costs + Pre-Paid = Settlement Costs. (EXTRA: The Real Estate Settlement Procedures Act (RESPA) requires lenders to disclose these costs on the Closing Disclosure 3 days prior to closing. The Closing Disclosure has taken the place of the “HUD-1”, which was previously given on the day of closing.)

Settlement Service Providers – individuals or Businesses that provide “settlement services” during a real estate transaction. Commonly used providers are title companies, surveying companies, and credit reporting agencies.

Subsidy/Grant – an amount of money given or loaned to a customer to help assist with the purchase of a home. (Extra: Though most subsidies and grants are thought of as gifts, most come with terms and conditions that must be met. If those terms and conditions are not met, the grant is subject to repayment.)

Survey – the legal boundaries (measurements) of a property.

Title Company – a company (settlement service provider) whose function is to check the validity of an owner’s title before the property is transferred to a new owner. In doing so they conduct a title search or examination, produce a title report, then offer or deny title insurance. (Extra: Title companies are often used to “hold escrow” during a transaction, and the company holding escrow can be totally different from the title company performing the traditional title services mentioned above.)

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Title Insurance - an insurance policy that protects a homeowner against any defects or claims against a property's title.

Title Report – a detailed report based on the results of a title search.

Title Search – a detailed examination of a property's title to see if any problems exist. It involves the examination of names and familial status to determine ownership, examining public records for ownership and liens, and shows easements and encumbrances from 3rd parties. (Extra: The title search determines if an owner's title is "Marketable" or "Clouded". Marketable meaning the title is ok to transfer and/or guarantee insurance. Clouded meaning issues exists that will prevent the title from transferring and/or getting insurance.)

Transfer of Title – when ownership transfers from one party to another.

Tri Merge Credit Report – a detailed credit report that combines the three individual reports from Experian, Equifax, and Trans Union; the three major Credit Reporting Agencies.

Underserved Communities – communities that lack the basic goods, services, and adequate housing typically found in healthy and thriving communities.

VA Mortgage – similar to FHA, VA loans are Insured by the Veteran's Administration, and offered to active military personnel, veterans, and their surviving spouses.

If you would like a more detailed explanation of a specific term or if there's something we didn't cover and you would like our assistance please feel free to contact us at info@BREGonline.net.