



Abstract of Judgment: A summary of the essential provisions of a court judgment. When recorded, an abstract of judgment creates a lien on all of the real property of the judgment debtor in the county in which it is recorded.

Acceleration Clause: Clause used in an installment note and mortgage (or deed of trust), which gives the lender the right to demand payment in full upon the happening of a certain event, such as failure to pay an installment by a certain date, change of ownership with the lender's consent, destruction of the property, or other even which endangers the security of the loan.

Access Right: A right to ingress and egress to and from one's property. May be express or implied.

Acknowledgement: A formal declaration made before a duly authorized officer (usually a notary public) by a person who has executed an instrument that such execution is his or her act and deed.

Acre: A measure, usually of land, equal to 160 sq. rods (43,560 sq. ft.) in any shape.

Action to Quiet Title: A court action to establish title to real property against adverse claims.

Addendum: Something added. A list or other material added to a document, letter, contractual agreement, escrow instructions, etc.

Adjustable Rate Mortgage (ARM): A mortgage in which the interest rate is adjusted periodically according to a pre-selected index. The terms, adjustment schedule, and index to be used can vary based on the particular lender.

Agency: A relationship created when one person (the principal) delegates to another (the agent) the right to act on his or her behalf in business transactions.

Agent: The person who is acting on behalf of the principal or client.

Agreement of Sale: A written contract between a seller and a buyer.

Alienation Clause: A clause calling for a debt under a mortgage or deed of trust to be due in its entirety upon transfer of ownership of the property.

Amendment: A change, either to correct an error or to alter a part of an agreement without changing the principal idea or essence.

Amenities: Those settings or improvements to property that increase the desirability or enjoyment rather than the necessities of the residents.

American Land Title Association (ALTA): A national association of title insurance companies, abstractors, and agents.

Amortization: The process of paying off a debt in installments over a given period of time without a final balloon payment.

Annual Percentage Rate (APR): An expression of the percentage relationship of the total finance charges to the total amount to be financed, as required under the federal Truth-in-Lending Act.

Appraisal: An opinion of the value of property resulting from an analysis of facts affecting market value.

Appreciation: An increased value of property due to either a positive improvement of the area or the elimination of negative factors. Commonly used to describe an increase in value through inflation.

Appurtenance: Something belonging to something else, either attached or not, such as a barn to a house, or an easement to land. The appurtenance is part of the property and passes with it upon sale or other transfer.

Arbitration Clause: A clause in a lease or other agreement calling for the decision of a third party (arbiter) regarding disputes based on negotiation.

Arrears: Payment made after it is due is in arrears. Interest is said to be paid in arrears since it is paid to the date of payment rather than in advance.

"As Is" Condition: Property sold in its existing condition. Use of this term generally relieves the seller from liability for defects in that condition.

Assessed Valuation: The value that a taxing authority places upon real or personal property for the purpose of taxation.

Assessment: The estimating of value of property for tax purposes. A levy against property in addition to general taxes usually for improvements such as streets, sewers, etc.

Assumable loan: A mortgage loan which can be transferred to another borrower without a change in the terms of the loan.

Assumption of Mortgage: Agreement by a buyer to assume the liability under an existing note secured by a mortgage or deed of trust.

Attorney-In-Fact: One who is appointed to act (as agent) for another (principal) under a power of attorney. The scope of the agent's authority is limited to that given by the power of attorney, which may be limited to one specific act or may be broader.

Backup Offer: A secondary offer to buy property, used in case the first (primary) offer fails.

Balloon Note: A note calling for periodic payments which are insufficient to fully amortize the face amount of the note prior to maturity, so that a principal sum known as a "Balloon" is due at maturity.

Balloon Payment: The unpaid principal amount of a loan due on a specific date in the future. Usually the amount that must be paid in a lump sum at the end of the term.

Beneficiary: The person who is entitled to receive funds or property under the terms and provisions of a will, trust, insurance policy or security instrument. In connection with a mortgage loan the beneficiary is the lender.

Beneficiary's Statement: The statement of a lender which gives the remaining principal balance due on a note and other information concerning the loan. It is usually obtained in escrow when the owner wishes to sell or refinance.

Bill of Sale: An instrument by which title to personal property is transferred or conveyed.

Binder: An offer issued by a title insurance company setting forth the conditions, which, if satisfied, will cause a policy of title insurance to be issued.

Bona Fide Purchaser (BFP): One who buys property in good faith, for fair value, and without notice of any adverse claim or right of third parties.

Bridge Financing: A form of interim loan generally made between a short-term loan and a long-term loan, when the borrower needs to have more time before taking on long term financing.

Broker: A person licensed to act as an agent for another in negotiating the sale or purchase of real property in return for a fee or commission.

Buydown: A financing technique used to reduce the monthly payment for the home buying borrower during the initial years of ownership. Under some buydown plans, a residential developer, builder, or the seller will make subsidy payments (in the form of points) to the lender that "buydown," or lower, the effective interest rate paid by the home buyer, thus reducing monthly payments for a set period of time.

By-Laws: Rules and regulations, adopted by an association or corporation, which govern its activities.

California Land Title Association (CLTA): A statewide association of title insurers and underwritten title companies.

Cap: A limit on how much the interest rate or monthly payment of an ARM can change, either at each adjustment or during the life of the mortgage. Payment CAP's don't limit the amount of interest the lender is earning so they may cause negative amortization.

CC&Rs (Covenants, Conditions and Restrictions): Limitations placed on the use and enjoyment of real property. These are found most often in condominiums and planned unit developments.

Certificate of Eligibility: A certificate obtained by a veteran from a Veterans Administration office that states that the veteran is eligible for a V.A. insured loan.

Certificate of Occupancy: A certificate issued by a local building department to a builder or renovator, stating that the building is in proper condition to be occupied.

Certificate of Reasonable Value (CRV): An appraisal of property for the purpose of insurance by the Veterans Administration.

Certified Copy: A true copy, attested to be true by the officer holding the original.

Chain of Title: A chronological list of recorded instruments tracing title to land, from the original owner to the present owner.

Closing Costs: Expenses, beyond the selling price, such as loan fees, title fees, etc. Paid when documents are executed and/or recorded and the sale is complete.

Closing Statement: A summary, in the form of a balance sheet, showing the amounts of debits and credits to which each party to a real estate transaction is entitled upon closing.

Closing: The process of completing a real estate transaction during which the seller delivers title to the buyer in exchange for payment of the purchase price. Called a "settlement" in some areas.

Cloud on Title: Any document, claim, unreleased lien or encumbrance, which, if valid, would affect or impair title to a property.

Commission: Compensation due a real estate broker for acting on behalf of the principal.

Commitment: A written promise to make or insure a loan for a specified amount and on specified items.

Common Area: The area owned in common by the owners of condominiums or planned unit development homes in a subdivision.

Community Property: Property acquired during a marriage or domestic partnership by either spouse or partner, or both, and which is not separate property or joint tenancy.

Comparables (comps): An abbreviation for comparable properties used for comparative purposes in the appraisal process.

Condemnation: The taking of private property for public use without the consent of the owner, but only upon payment of just compensation.

Condominium: An undivided interest in common in a portion of real property coupled with a separate interest in space called a unit.

Conservator: A guardian, court appointed.

Consideration: A required element in all contracts by which something of value, including a promise, is exchanged for the act or promise of another.

Construction Loan: Short term financing of real estate construction. Generally followed by the long term financing called a "take out" loan, issued upon completion of improvements.

Contingency: Action conditioned upon a certain event. Acceptance of the terms of a contract based on something else happening or certain conditions being met.

Contract of Sale: Depending on area of country it may be a Land Contract or a Purchase Agreement.

Contract Sales Price: The full purchase price as stated in the contract.

Conventional Mortgage: A loan neither insured by the FHA nor guaranteed by the VA.

Conversion Clause: A provision in some ARM's that allows you to change the ARM to a fixed-rate loan at some point during the term. Usually the conversion is allowed at the end of the first adjustment period. At the time of the conversion, the new fixed rate is generally set at one of the rates then prevailing for fixed-rate mortgages. The conversion feature may be available at extra cost.

Conveyance: The transfer of title or an interest in real property by means of a written instrument such as a deed.

Credit Report: A report of an individual's credit history prepared by a credit bureau and used by a lender in determining a loan applicant's creditworthiness.

Deed of Trust: A security agreement creating a lien by which title to real property is transferred to a third-party trustee as security for an obligation owed by the trustor (borrower) to the beneficiary (lender).

Defective Title: Title to a negotiable instrument obtained by fraud. Title to real property which lacks some of the elements necessary to transfer good title.

Demand: The lender's statement of the amount due to payoff a loan.

Depreciation: Decrease in value to real property improvements caused by deterioration or obsolescence.

Devise: Real estate left by will.

Devisee: One to whom real estate is given by will.

Devisor: A testator who leaves real estate.

Direct Reduction Mortgage: An amortized mortgage. One on which principal and interest being computed on the remaining balance.

Disbursements: Payments made during the course of an escrow or at closing.

Discount: In an ARM with an initial discount, the lender gives up a number of percentage points of interest to give you a lower rate and lower payments for part of the mortgage term. After the discount period, the ARM rate will probably go up depending on the index rate.

Documentary Transfer Tax: The tax, based on sales price, which is charged by the city and/or county on the transfer of real property.

Down Payment: The cash portion paid by a buyer from his own funds, as opposed to that portion of the purchase price which financed.

Dragnet Clause: A clause in a mortgage or deed or trust which places the real estate as security for existing debts between the parties.

Due-on-Sale-Clause: See Alienation Clause.

Earnest Money: The cash deposit paid by a prospective buyer as evidence of good faith to bind a sale of real estate.

Easement: A limited right or interest in land of another that entitles the holder of the right to some use, privilege or benefit over the land.

Egress: A term concerning a right to come and go across the land (public or private) of another. Another part of the term ingress and egress.

Eminent Domain: A Government right to acquire private property for public use by condemnation, and the payment of just compensation.

Encroachment: Construction onto the property of another, wall, fence, etc.

Encumbrance: A claim, right or lien upon real property, held by someone other than the owner.

Endorsement: A rider attached to an insurance policy to expand or limit coverage. Also spelled indorsement. Also, the act of the holder of a note, bill, check, or other negotiable instrument, of assigning said instrument by signing the back of the instrument.

Equity: The value of a person's interest in real property after all liens and charges have been deducted.

Escalation Clause: A clause in a lease providing for an increased rental at a future time.

Escheat: A reversion of property to the state in the absence of an individual owner. Usually occurs when a property owner dies intestate, and without heirs.

Escrow: The process in which a disinterested third party holds money and documents for delivery to the respective parties in a transaction on performance of established conditions.

Estate: The interest or nature of the interest which one has in property, such as a life estate, fee estate, leasehold estate, etc.

Estate Tax: A tax against the property of a deceased, based on the value of the estate.

Exception: A provision in a title insurance binder or policy which excludes liability for a specified title defect or an outstanding lien or encumbrance.

Executor: One who is appointed under a will to carry out (execute) the terms of the will.

Fair Market Value: An appraisal term for the price which a property would bring in a competitive market given a willing seller and willing buyer, each of whom has a reasonable knowledge of all pertinent facts, with neither being under any compulsion to buy or sell.

Federal Home Loan Board: The board which charters and regulates federal savings and loan associations, as well as controlling the system of Federal Home Loan Banks.

Federal Home Loan Mortgage Corporation (FHLMC, Freddie Mac): A quasi-governmental agency that purchases conventional mortgages in the secondary mortgage market from depository institutions and Department of Housing and Urban Development (HUD) approved mortgage bankers.

Federal Housing Administration (FHA): A division of the Department of Housing and Urban Development (HUD). Its main activity is the insuring of residential mortgage loans by private lenders.

Federal National Mortgage Association (FNMA, Fannie Mae): A semi-governmental corporation created by Congress to support the secondary mortgage market.

Federal Tax Lien: A lien attached to property for nonpayment of a federal tax.

Fee Simple: An estate under which the owner owns a complete interest in the property and is entitled to the unrestricted use and enjoyment of the property, including the right to dispose of the property.

FHA Mortgage: A mortgage that is insured by the Federal Housing Administration (FHA). Also known as a government mortgage.

Finance Charge: A total of all costs imposed directly or indirectly by the creditor and payable either directly or indirectly by the customer, as defined by the federal Truth-in-Lending laws.

Fixed Rate Loan: A loan on which the same rate of interest is charged for the life of the loan.

Fixture: Personal property which is permanently attached to real property, and, as such, becomes part of the real property.

Foreclosure: A proceeding in or out of court, to extinguish all rights, title, and interest, of the owner(s) of property in order to sell the property to satisfy a lien against it.

Freddie Mac (FHLMC): Federal Home Loan Mortgage Corporation. A federal Agency purchasing first mortgages, both conventional and federally insured, from members of the Federal Reserve System, and the Federal Home Loan Bank System.

Free and Clear: Real property against which there are no liens, especially voluntary liens (mortgages).

Full Disclosure: Revealing all the known facts which may affect the decision of a buyer or tenant.

General Lien: A lien such as a tax lien or judgment lien which attaches to all property of the debtor rather than the lien of, for example, a trust deed, which attaches only to a specific property.

Ginnie Mac (GNMA): Government National Mortgage Association. A federal association working with FHA which offers special assistance in obtaining mortgages, and purchases mortgages in a secondary capacity.

Good Faith Estimate: In real estate transactions, an estimated breakdown of the borrower's closing costs given by the lender prior to the closing.

Grandfather Clause: The clause in a law permitting the continuation of a use, business, etc., which, when was permissible but, because of a change in the law is now not permissible.

Grantee: One to whom a grant is made. The purchaser of real property.

Grantor: One who has made a grant. The seller of real property.

Ground Rent: Rent paid for vacant land. If the property is improved, ground rent is the portion attributable to the land only.

Hazard Insurance: Insurance coverage that compensates for physical damage to a property from fire, wind, vandalism, or other hazards.

Heir and Assigns: Words usually found in a deed, showing the interest the grantee is receiving.

Hidden Defect: An encumbrance on a title that is not apparent in the public records; for example, unknown heirs, secret marriages and forged instruments.

Home Inspection: A thorough inspection that evaluates the structural and mechanical condition of a property. A satisfactory home inspection is often included as a contingency by the purchaser.

Homeowner Association: An association of people who own homes in a given area for the purpose of improving or maintaining the quality of the area.

Homeowner's Insurance: An insurance policy that combines personal liability insurance and hazard insurance coverage for a dwelling and its contents.

HUD-1 Statement: A document that provides an itemized listing of the closing costs and funds that are payable at closing.

Impound Account: An account held by a lender for the payment of taxes, insurance or other periodic debts against real property.

Indemnity Agreement: An agreement by which a party agrees to repay another for any loss or damage the latter may suffer.

Ingress and Egress: A right to enter upon and pass through land.

Installment Note: A note calling for payment of both principal and interest in specified amounts, or specified minimum amounts, at specific intervals.

Instrument: Any writing having legal form and significance, such as a deed, mortgage, will, lease, etc.

Intangible Property: Property which has value but cannot be physically touched, such as a patent, the goodwill of a business, etc.

Interest Rate: The percentage of an amount of money which is paid for its use for a specified time.

Interpleader: A court action filed by the escrow holder to determine to whom disputed funds should be given.

Intestate: Without leaving a will, or leaving an invalid will so that the property of the estate passes by the

laws of succession rather than by direction of the deceased.

Joint and Several: A liability which allows the creditor to sue any one of the debtors or sue all together.

Joint Tenancy: A means of ownership in which two or more persons own equal shares in real property. Upon the death of one tenant, his/her share passes to the remaining tenant(s) until title is vested in the last survivor.

Judgment Lien: A lien against the property of a judgment debtor. An involuntary lien.

Land Contract: An installment contract for the sale of land. The seller (vendor) has legal title until paid in full. The buyer (vendee) has equitable title during the contract term.

Landlocked Parcel: A parcel of land surrounded entirely by privately owned land, with no right of access to a public road.

Late Charge: A penalty for failure to pay an installment on time.

Lease with Option to Purchase: A lease under which the lessee has the right to purchase the property. The option may run for the length of the lease or only for a portion of the lease period.

Leasehold: An estate in realty held under a lease; an estate for a fixed term.

Legal Description: A means of identifying real property in deeds and other documents.

Lessee: The party to whom a lease (the right to possession) is given in return for a consideration (rent).

Lessor: The party (usually the owner) who gives the lease (right to possession) in return for a consideration (rent).

Lien: A recorded document which claims an interest in real property as security for a debt owed. Such liability may be created by contract, such as a deed of trust, or by a court judgment.

Life Estate: An estate in real property for the life of a living person.

Limited Partnership: A partnership consisting of one or more general partners who conduct the business and are responsible for losses, and one or more limited partners, contributing capital and liable only to the amount contributed.

Lis Pendens: A legal notice recorded to show pending litigation relating to real property and giving notice that anyone acquiring an interest in said property subsequent to the date of the notice may be bound by the outcome of the litigation. Also called a notice of pendency of action.

Loan Servicer: An organization that collects principal and interest payments from borrowers and manages borrowers' escrow accounts. The servicer often services mortgages that have been purchased by an investor in the secondary mortgage market.

Marketable Title: Title which can be readily marketed (sold) to a reasonably prudent purchaser aware of the facts and their legal meaning concerning liens and encumbrances.

Mechanic's Lien: A lien on real estate which secures the payment of debts due to persons who perform labor or services or furnish materials incident to the construction of buildings and improvements on real estate.

Metes and Bounds: A form of land description in which boundaries are described by courses, directions,

distances and monuments.

Mortgage Broker: One who for a fee, brings together a borrower and lender, and handles the necessary applications for the borrower to obtain a loan against real property by giving a mortgage or deed of trust as security.

Mortgage Guaranty Insurance Corporation (MGIC): A private corporation which, for a fee, insures mortgage loans similar to FHA and VA insurance, although not insuring as great a percentage of the loan.

Negative Amortization: Negative amortization occurs when the monthly payments do not cover all of the interest cost. The interest cost which is not covered by the payment is added to the unpaid principal balance. This means that even after making many payments, you could owe more than you did at the beginning of the loan.

Nonconforming Use: A property which does not conform to the zoning of an area.

Notarization: The certification by a Notary Public that a person signing a document has been properly identified. Notarization does not certify the content of a document, only validity of signature.

Note: A written promise to repay a certain sum of money on specified terms.

Notice of Completion: A notice, recorded to show that a construction job is finished. The length of time in which mechanic's liens may be filed depends upon when and if a valid notice of completion is recorded.

Origination Fee: A fee or charge for work involved in the evaluation, preparation and submission of a proposed mortgage loan.

Owners Policy: Title insurance for the owner of real property.

Paper: A mortgage, deed of trust, or land contract, which is given instead of cash.

Partial Release: A release of a portion of property covered by a mortgage.

Perc Test (Percolation): The test to determine the capability of the soil to absorb liquid, both for construction and septic systems.

PITI (Principal, Interest, Taxes and Insurance): The four components of a monthly mortgage payment. Principal refers to the part of the monthly payment that reduces the remaining balance of the mortgage. Interest is the fee charged for borrowing money. Taxes and insurance refer to the amounts that are paid into an escrow account each month for property taxes and mortgage and hazard insurance.

Planned Unit Development: A subdivision of five or more individually owned lots with one or more other parcels owned in common or with reciprocal rights in one or more other parcels.

Points: A point is equal to one percent of the principal amount of the loan.

Prequalification: The process of determining how much money a prospective homebuyer will be eligible to borrow before buying a home and applying for a loan.

Principal: The sum of money outstanding upon which interest is payable.

Private Mortgage Insurance (PMI): Insurance written by a private mortgage insurance company protecting the mortgage lender against loss occasioned by a mortgage default and foreclosure.

Property Tax: Generally, tax levied on both real and personal property.

Proration: The method used in dividing charges into that portion which applies only to a party's ownership up to particular date.

Purchase Money Mortgage: A Mortgage given by the buyer as part of the purchase consideration.

Qualification: The process of reviewing a prospective borrower's credit and payment capacity prior to approving a loan.

Quitclaim Deed: A deed relinquishing all interest, title or claim in a property.

Real Estate Settlement Procedures Act (RESPA): A federal statute requiring disclosure of certain costs in the sale of residential, improved property which is to be financed by a federally insured lender.

Real Estate: Land and anything permanently affixed to the land.

Reconveyance: The conveyance to the landowner of the title, held by a trustee under a deed of trust, when the performance of the debt is satisfied.

Record Owner: The owner of property as shown by an examination of the public record.

Recordation: Filing for record in the office of the county recorder for the purpose of giving constructive notice.

Recourse: The right of the holder of a note secured by a mortgage or deed of trust to look personally to the borrower or endorser for payment.

Rescind: To void or cancel.

Right of Survivorship: The right of a survivor of a deceased person to the property of the deceased.

Secondary Financing: A loan secured by a mortgage or trust deed which is junior to another mortgage or trust deed.

Security: Real or personal property pledged by a borrower, as protection for the lender's interest.

Septic System: A sewage system, whereby waste is drained through pipes and a tile field into a septic tank.

Set Back Ordinance: Regulates the distance from the lot line to the point where improvements may be constructed.

Settlement Statement: A statement prepared by broker, escrow, or lender, giving a complete breakdown of costs involved in a real estate sale.

Simultaneous Issue: A simultaneous issuance by a title insurance company of policies insuring both an owner and a lender. The lender's policy is issued at a reduced rate.

Specific Performance: An action to compel the performance of a contract, when money damages for breach would not be satisfactory.

Statement of Information (SI): A confidential information statement completed by the buyer, seller or borrower. Allows title companies to differentiate between parties with similar names when searching matters such as liens and court decrees.

Statutory Lien: An involuntary lien, includes tax liens, judgment liens, mechanic liens, etc.

"Subject To" Clause: A clause in a contract of sale setting forth any contingencies or special conditions of purchase and sale, such as an offer made and accepted subject to financing, securing certain zoning or similar requirements.

Subordination Agreement: An agreement under which a prior or superior lien is made inferior or subject to an otherwise junior lien.

Substitution of Trustee: A document which is recorded to change the trustee under the deed of trust.

Tangible Property: That property which can be touched. For example: A window (glass) is tangible.

Tax Lien: A statutory lien imposed against real property for taxes.

Tax Sale: Public sale of property at auction by governmental authority, after a period of nonpayment of property taxes.

Tenancy in Common: Co-ownership in a property by two or more persons, each of whom has an undivided interest in the whole property.

Title Insurance: An insurance policy insuring the title to land.

Title Plant: The information warehouse of a title company in which it has accumulated and is constantly updating title records of properties which it can use to search title to real property.

Title: The ownership of an interest in land.

Trustee: A person who holds title in trust for the benefit of another. In a deed of trust, the trustee is the person named to hold title in trust for the benefit of the lender until the loan is paid off.

Trustee's Deed: A deed by a trustee under a deed of trust, issued to a purchaser at auction, pursuant to foreclosure.

Trustor: Usually the borrower under a deed of trust. One who deeds their property to a trustee as security for repayment of a loan.

Truth-In-Lending: A federal law that requires lenders to fully disclose, in writing, the terms and conditions of a mortgage, including the annual percentage rate (APR) and other charges.

Underwriting: The process of evaluating risk.

Uniform Commercial Code: The law which regulates the transfer and encumbrance of personal property.

VA Mortgage: A mortgage that is guaranteed by the Department of Veterans Affairs (VA). Also known as a government mortgage.

Vesting: Denotes the manner in which title is held. Examples of common vestings are: Community Property, Joint Tenancy and Tenancy in Common.

Veterans Administration (VA): VA has power and authority to guarantee or insure payment of loans made to veterans by private lending institutions. This function is similar to that of FHA. VA also makes direct loans to veterans in non-urban areas where private loan funds are not available.