



# Real Estate:

# REAL ESTATE DEFINITIONS

**AMORTIZATION**– The killing off of an existing debt by regular partial payments.

**APR**– Annual Percentage Rate. The yearly interest percentage of a loan as expressed by the actual rate of interest paid.

**APPRAISAL**–An estimate of value of property from analysis of facts about the property; an opinion of value.

**BROKER**–One who acts as an agent for another in negotiating sales or purchases in return for a fee or commission.

**CHAIN OF TITLE**–Beginning with a conveyance out of an original source of title such as a government, each succeeding deed, will or other medium which conveys and transfers the title to succeeding owners constitutes a link in the chain of title. The chain of title is the composite of all such links.

**CLOSING**–In some areas called a “settlement.” The process of completing a real estate transaction during which deeds, mortgages, leases and other required instruments are signed and/or delivered, an accounting between the parties is made, the money is disbursed, the papers are recorded, and all other details such as payment of outstanding liens and transfer of hazard insurance policies are attended to.

**CLOSING DISCLOSURE**–The five-page Closing Disclosure must be provided to the consumer three business days before they close on the loan. The Closing Disclosure details all of the costs associated with their mortgage transaction.

**CLOSING STATEMENT**–A summation, in the form of a balance sheet, made at a closing, showing the amounts of debits and credits

**DEED**–A written document by which title to real estate is conveyed from one party to another.

**DEPRECIATION**–Loss in value occasioned by ordinary wear and tear, destructive action of the elements, or functional or economic obsolescence.

**EARNEST MONEY**–Down payment or a small part of the purchase price made by a purchaser as evidence of good faith.

**ENDORSEMENT**–Addition to or modification of a title insurance policy that expands or changes coverage of the policy, fulfilling specific requirements of the insured.

**ESCROW**–Technically, this term strictly refers to a deed delivered to a third person to be held by him until the fulfillment or performance of some act or condition by the grantee. In the title industry, it means the depositing with an impartial third party (typically an escrow agent or title company) of anything pertaining to a real estate transaction including money and documents of all kinds. The money and documents are to be disbursed and delivered to the rightful parties by the escrow agent or title company when all conditions of the transaction have been met.

**ESCROW AGREEMENT**–A written agreement usually made between buyer, seller and escrow agent, but sometimes only between one person and the escrow agent. It sets forth the conditions to be performed incident to the object deposited in escrow, and gives the escrow agent instructions.

**EXAMINATION**–In title industry terms, to peruse and study the instruments in a chain of title and to determine their effect and condition in order to reach a conclusion as to the title status.

**EXAMINER**—Usually referred to, in title industry terms, as title examiner. One who examines and determines the condition and status of real estate titles.

**EXCEPTIONS**—Insurance policies include a list of items excluded from coverage. Items excluded from coverage can be found in section two of Schedule B of the policy.

**FORECLOSURE**—A legal proceeding for the collection of real estate mortgages and other types of liens on real estate, which results in cutting off the right to redeem the mortgaged property and usually involves a judicial sale of the property.

**GENERAL WARRANTY**—A warranty provision in a deed or mortgage or other real estate instrument containing all of the common law items of warranty. Also known as a full warranty.

**LIEN**—The liability of real estate as security for payment of a debt. Such liability may be created by contract, such as a mortgage, or by operation of law, such as a mechanics lien.

**MORTGAGE**—A temporary conditional pledge of property to a creditor as security for the payment of a debt that may be cancelled by payment.

**OWNER'S POLICY**—This policy is purchased for a one-time fee and protects a homeowner's investment in a property for as long as they or their heirs have an interest in the property.

**POWER OF ATTORNEY**—A legal instrument authorizing one to act as another's agent or attorney.

**PREMIUM**—The amount payable for an insurance policy.

**PROBATE**—A legal procedure in which the validity and probity of a document, such as a will, is proven.

**PROMISSORY NOTE**—A written promise to pay or repay a specified sum of money.

**QUIT CLAIM DEED**—Deed that does not imply the grantor holds title, but which surrenders and gives to the grantee any possible interest or rights that the grantor may have in the property.

**SETTLEMENT**—In some areas called a "closing." The process of completing a real estate transaction during which deeds, mortgages, leases and other required instruments are signed and/or delivered, an accounting between the parties is made, the money is disbursed, the papers are recorded, and all other details such as payment of outstanding liens and transfer of hazard insurance policies are attended to.

**SPECIAL WARRANTY DEED**—A deed that warrants the title only with respect to acts of the seller and the interests of anyone claiming by, through, or under him.

**SURVEY**—The map or plat drawn by a surveyor that represents the property surveyed and shows the results of a survey.

**TITLE**—(1) A combination of all the elements that constitute the highest legal right to own, possess, use, control, enjoy, and dispose of real estate or an inheritable right or interest therein. (2) The rights of ownership recognized and protected by the law.

**TITLE COMMITMENT**—An offer to issue a title insurance policy. The title commitment will describe the various conditions, exclusions and exceptions that will apply to that particular policy.

**TITLE COVENANTS**—Covenants ordinarily inserted in conveyances and in transfers of title to real estate for the purpose of giving protection to the purchaser against possible insufficiency of the title received. A group of such covenants known as "common law covenants" includes: (a) covenants against encumbrances; (b) covenant for further assurance (in other words, to do whatever is necessary to rectify title deficiencies); (c) covenant of good right and authority to convey; (d) covenant of quiet enjoyment; (e) covenant of seisin; (f) covenant of warranty.

**TITLE DEFECT**—(1) Any possible or patent claim or right outstanding in a chain of title that is adverse to the claim of ownership. (2) Any material irregularity in the execution or effect of an instrument in the chain of title.

**TITLE EXAMINATION**—To peruse and study the instruments in a chain of title and to determine their effect and condition in order to reach a conclusion as to the status of the title.

**TITLE INSURANCE**—Insurance that protects purchasers of real estate and mortgages against loss from defective titles, liens and encumbrances.

**TITLE PLANT**—A geographically filed assemblage of title information which is to help in expediting title examinations, such as copies of previous attorneys' opinions, abstracts, tax searches, and copies or take-offs of the public records.

**TITLE SEARCH**—A search and perusal of the public records for recorded instruments that affect the title to a piece of land.

**UNDERWRITER**—An insurance company that issues insurance policies either to the public or to another insurer.

**WARRANTY DEED**—A deed containing one or more title covenants.