



## Common Real Estate Terms

### Agent Section

**Closing**- the execution of legal documents of conveyance and loan paperwork to transfer and/or mortgage a property. The closing or settlement agent coordinates the execution of documents, collects funds, and disburses proceeds.

**Commission**- the fees paid to the real estate agents who represent the buyer or seller. Typically, the amount of commission and the party responsible for paying the commission are outlined in the Listing Agreement, in the sales contract, or in a separate commission agreement. In many cases, the commission is calculated based on a percentage of the sales price. Commissions are reflected on the HUD-1 Settlement Statement.

**Purchase Agreement** - the instrument memorializing the agreement between a buyer and seller to purchase and sell real property. This contract contains all material terms relevant to the transaction: sales price; property description; amount of earnest money; who is paying for title insurance and closing costs; closing date; items to be completed at or before closing, e.g. repairs, etc.

**Earnest Money**- Upon making an offer to purchase real estate, a buyer will generally deposit a sum of money to the seller or seller's agent as a demonstration of the buyer's good faith intention to purchase the property. The purchase agreement generally spells out specific guidelines for who shall hold the earnest money and how it should be handled in the event of default on the contract.

**Tax and Insurance Escrows**- an account maintained by the lender on behalf of the borrower for the payment of annual taxes and insurance. Borrowers pay 1/12 of the amount due for taxes and insurance into the account with each monthly payment, and the lender disburses the full annual payments to the taxing authority and insurance company when each becomes due.

**Hazard Insurance**- also known as "homeowner's insurance," hazard insurance insures a home against liability and loss due to fire, wind, vandalism and other damage. Hazard insurance is generally required by lenders as a condition of the loan.

**Homeowners Association Dues**- assessments charged by a Homeowners' Association to the individual homeowner which are generally used to maintain common areas of the subdivision.

**Mortgage** – a document recorded evidencing the borrower's pledge of property as collateral as security for a loan made by a lender. The terms of the loan are usually evidenced by the Promissory Note.

**Promissory Note**- the instrument signed by a borrower wherein the borrower promises to repay, on demand or at some time fixed in the future, a sum of money to a lender or holder of the promissory note. This document outlines the terms of the loan including the principal amount, interest rate, term, late payment penalty, and prepayment penalty, if any.

**Property Taxes**- taxes paid to the city or county taxing authority based upon the assessed value of the property. Inquire with the specific city and county for the computation rates.

**HUD-1 Settlement Statement**- document developed by the United States Department of Housing and Urban Development which itemizes all fees and services associated with closing the loan on residential property.

**Survey**- A survey is a drawing prepared by a registered land surveyor, after a physical inspection, that depicts the property boundary lines, size and improvements, as well as setback lines, easements and encroachments. Specialty surveys also exist which show topography and waterflow, the elevation of any structures on the property in relation to the maximum 100 year flood zone, and the location of any septic and drain lines.

**Transfer Tax**- the taxes paid to the State and County on the transfers of real property. Generally, state and county transfer tax is calculated on the deed of conveyance based on the sales price. In some cases, certain exemptions may apply.

**Title Exam**- an examination of the public records in the county where the property is located. The title examiner reviews the history of the title to ensure the seller owns the property, and to determine if there are any mortgages, taxes or liens on the property that will require payment at closing. Each previous owner of the property is a link in the chain of title.

**Title Insurance**- Title insurance protects the insured from fraud, forgery, legal right of access, competing claims regarding ownership of the property, liens against the property and marketability of title to the property. Typically there are 2 types of title insurance: the loan policy protects the lender, and the owner's policy protects the buyer.

**Warranty Deed**- one form of conveyance instrument which transfers ownership of real property from the seller to the buyer and which contains assurances as to the marketability of the title to the property.