

Medialo

RE knowledge

A-Z



Appraisal

An appraisal is an unbiased professional opinion of a home's value. Example: A lender orders an appraisal before approving a mortgage to ensure the home is worth the purchase price.

Appreciation

Appreciation refers to the increase in the value of a property over time. Example: A house bought for \$200,000 five years ago is now worth \$250,000 due to local development.

Broker

A state-licensed agent who, for a commission or a fee, represents property owners in real estate transactions. Example: A broker lists your house on the MLS and negotiates offers on your behalf.

Blanket Mortgage

A single mortgage that is secured by more than one parcel of real estate. Example: A developer buys three lots under one blanket mortgage instead of separate mortgages.

Bankruptcy

A legal process where individuals or entities unable to repay debts seek relief from some or all debts. Example: A homeowner files bankruptcy to stop foreclosure temporarily.

Capital Gains

The gain realized from the sale of an asset less purchase price and deductible expense. Example: Selling a rental property bought at \$150,000 for \$200,000 yields \$50,000 capital gains.

Capitalization Rate

Indicates the rate of return an investor can expect on a real estate investment property. Example: A property with \$20,000 NOI and a \$200,000 value has a cap rate of 10%.

Closing Costs

Expenses incurred to complete a transaction in transfer of ownership of real estate. Example: Paying title insurance, appraisal fees and taxes at closing day.

Construction Loan

Short-term financing of improvements on real estate. Example: Using a construction loan to build a home, then refinancing with a mortgage when finished.

Deed

A formal written instrument transferring title to real property. Example: At closing, the seller signs a deed to transfer ownership to the buyer.

**Depreciation**

Decline in value of a house due to wear and tear or adverse changes in the neighborhood. Example: A house loses value because of nearby factory pollution.

Down Payment

The amount of money paid by the purchaser to the seller upon signing the agreement of sale. Example: Putting 20% down on a \$300,000 home equals \$60,000.

Easement

A right-of-way granted to a person or company authorizing access to or over the owner's land. Example: A utility company runs power lines across private property.

Earnest Money Deposit

Money given to show the buyer is serious about purchasing a house. Example: Paying \$5,000 in earnest money that applies toward your down payment.

Equity

Difference between the market value of a property and the amount of money still owed on the loan. Example: A \$200,000 home with a \$150,000 mortgage has \$50,000 in equity.

Fair Market Value

Price a property will bring when buyer and seller are fully aware of market conditions. Example: Listing a home at \$300,000 because similar homes recently sold for that.

For Sale by Owner (FSBO)

A home sold by the owner without broker representation. Example: An owner advertises and negotiates the sale themselves.

Foreclosure

Enforcing payment of a debt secured by a mortgage by taking and selling the property. Example: A bank forecloses when a borrower stops making mortgage payments.

Grantor

The party in the deed that is the seller or giver. Example: In a sale, the homeowner is the grantor.

Grantee

The party in the deed that is the buyer or recipient. Example: The new homeowner listed on the deed is the grantee.

**Gentrification**

Neighborhood redevelopment involving an influx of higher-income residents. Example: Old warehouses converted into lofts, increasing local rents.

Hard Money Lender (HML)

A private lender that uses property collateral instead of credit scores. Example: A flipper gets a hard money loan to purchase a distressed property quickly.

Homeowners Association (HOA)

An association formed to improve and maintain the quality of the community. Example: A HOA charges monthly dues to maintain a community pool.

HUD

U.S. Department of Housing and Urban Development. Example: HUD sets standards for FHA-insured loans.

HELOC

Home equity line of credit where an owner borrows against the equity built up. Example: Using a HELOC to pay for home renovations.

Hazard Insurance

Protects against damages caused to property by fire, windstorms and other hazards. Example: A homeowner files a claim after storm damage.

Inspection

Analysis of the home to find defects. Example: Hiring an inspector before closing to check for roof leaks.

Joint Venture (JV)

A commercial enterprise undertaken jointly by two or more parties. Example: Two investors form a JV to purchase an apartment building.

Interest

Money paid to a lender as compensation for money borrowed. Example: Paying 6% interest on a \$200,000 loan.

Internal Rate of Return (IRR)

A measure of an investment's rate of return. Example: An IRR of 12% over 5 years on a rental property investment.



Lease with Option to Purchase

A lease where the lessee has the option to purchase the property. Example: Renting a home with the right to buy it after two years.

Line of Credit (LOC)

A preset amount of money a bank agrees to lend. Example: Drawing \$5,000 from your LOC for emergency repairs.

Lease

A contract between the owner (lessor) and another person (lessee) covering conditions of use. Example: Signing a 12-month lease for an apartment.

Lien

A legal interest in a property which must be paid off before the property can be sold. Example: A contractor places a lien on a house for unpaid work.

Legal Description

Geographical identification of a parcel of land. Example: A property described by lot and block number in county records.

Mortgage

A legal document pledging property to a creditor for the repayment of the loan. Example: Taking out a mortgage to buy a house.

Multiple Listing Service (MLS)

A service listing homes under seller's representation agreements. Example: Your agent posts your house on the MLS for exposure.

Net Operating Income (NOI)

All revenue from the property minus all necessary operating expenses. Example: A rental earns \$24,000 a year and costs \$8,000 in expenses = \$16,000 NOI.

Note

A written promise to repay a specified sum of money plus interest. Example: Signing a mortgage note at closing.

Net Worth

Financial resources or other wealth belonging to a person for investment. Example: An investor with \$1 million in assets minus \$400,000 in debts has \$600,000 net worth.

**Purchase and Sale Agreement**

Document detailing agreement between buyer and seller on price and terms. Example: A signed agreement outlining closing date and contingencies.

Proof of Funds

Document showing a buyer can secure a mortgage or has funds for cash purchase. Example: Providing a bank statement to show \$100,000 cash for a purchase.

Pre-approval Letter

Document stating the loan amount a lender is willing to extend. Example: Presenting a pre-approval for \$300,000 to a seller with your offer.

Personal Property

All property that is not land and not permanently attached. Example: Furniture is personal property.

Probate

Legal process of distributing a deceased person's estate. Example: Selling a house inherited through probate court.

PITI

Principal, interest, taxes, and insurance (monthly payment). Example: Your \$1,500 mortgage includes all four items.

Repair Costs

Costs to fix and renovate properties. Example: Budgeting \$30,000 for repairs on a fix-and-flip.

Refinance Rate

Lowering the interest rate on an existing loan. Example: Refinancing from 6% to 4% to save money.

Real Estate Owned (REO)

Foreclosed property taken back by the bank. Example: Buying an REO property at a discounted price.

Refinancing

Paying off one loan with the proceeds from another loan. Example: Refinancing to shorten the loan term.

**Special Lien**

Lien binding a specified piece of property. Example: A mechanic's lien on a property for unpaid work.

Septic System

A private sewerage system consisting of a tank, distribution box and leaching field. Example: A rural home uses a septic system instead of city sewer.

Survey

A map or plot by a licensed surveyor showing measurements, elevations and boundaries. Example: A lender requires a survey to confirm the house is on the correct lot.

Short Sale

A sale where the net proceeds fall short of debts secured by liens. Example: Selling a home for \$150,000 when \$200,000 is owed on the mortgage.

Turnkey

A fully renovated home or apartment building an investor can immediately rent out. Example: Buying a turnkey rental property with tenants already in place.

Tax Lien

Government's claim on property when taxes are unpaid. Example: A county files a tax lien for unpaid property taxes.

Title

Ownership of real estate or documents proving ownership. Example: Holding the title to your home after paying off the mortgage.

Under Contract

A buyer's offer has been accepted by the seller. Example: A home is listed as under contract once the seller signs the offer.

Underwriting

Review of loan documentation to evaluate a borrower's ability to repay. Example: Lender underwriting your mortgage before final approval.

Walkthrough

Final inspection of property before closing. Example: Checking that agreed-upon repairs are complete before signing papers.

**Warranty Deed**

Property owner warrants they own the property free and clear of liens. Example: Seller gives buyer a warranty deed at closing.

Zoning

Regulation of public land use and development by local government. Example: Zoning laws prevent building a factory in a residential area.

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