

Try this if homes jargon is boggling

Most home buyers, particularly those involved in the process for the first time, find themselves faced with a wide range of unfamiliar terms and phrases.

The best way to cope with such situations is to "speak up," say members of the United Northwestern Realty Association (UNRA).

If you don't fully understand a term or are not sure of its meaning, ask your real estate agent or loan officer for an explanation.

To assist prospective buyers, UNRA offers this alphabetized glossary of terms commonly encountered in arranging a home mortgage:

•Closing: The completion of a real estate transaction includes such things as the signing of mortgage documents, delivery of deed, disbursement of funds connected with the sale as well as other financial adjustments.

•Closing costs: Paid by the borrower at time of closing, these costs cover such things as origination fee, title insurance, survey, escrow payments, attorney fees and taxes.

•Commitment: This is an agreement to make a loan subject to certain stated conditions.

Inflation hits homes

The cost of building homes rose an average of 33 per cent in the five years since 1972, and 6.7 per cent in the last year alone.

This dismal report comes from the Detroit Board of Realtors.

Figures show a continuing rise in costs in all categories of building, starting with 1975. Since 1972, costs of a typical brick veneer or stucco house have risen from \$1.40 per cubic foot to \$2.03, or 32 per cent, and in the last year from \$1.81 to \$2.03, or 6.7 per cent.

For frame construction of a house, the cubic foot cost was \$1.20 in 1972, \$1.56 in 1976 and \$1.75 as 1977 began, for a 38 per cent rise in five years and 7.8 per cent in the last year alone.

Cinder-concrete block construction showed the least cost rise, up from \$1.57 in 1972 to \$2.04 in 1976 and \$2.27 per cubic foot in 1977. The increase for block worked out at 28.4 per cent for the five years and 5.5 per cent for the last year.

•Conventional loan: The most common type of mortgage loan, it is not insured by FHA or guaranteed by the Veterans Administration.

•Escrow payment: This is the part of the monthly mortgage payment, beyond principal and interest, that is held in trust to pay for such things as taxes, mortgage insurance and hazard insurance. An annual accounting is provided and some adjustment may be required periodically to assure continued coverage of these items.

•FHA: The Federal Housing Administration is an agency of the federal government that insures mortgages meeting FHA standards and conditions.

•Fee simple: A reference to absolute and unconditional status of property ownership.

•GI loan: Also called a VA loan, this is a mortgage loan granted qualified veterans that is guaranteed by the Veterans Administration.

•Hazard insurance: A usual requirement in granting home mortgage loans, this is insurance purchased against damage to the property from fire, wind and other hazards.

•Home mortgage loan: This is a long term loan pledging the property purchased as security. The three principal kinds are conventional, FHA and VA.

•Lien: This is a legal claim held on the property as security against a debt.

•Mortgage discount: Also called points, loan brokerage fee, or new loan fee; this is an equalizer in the mortgage field to make a loan acceptable to a lender. Equal to one per cent of the mortgage amount, one point is roughly equivalent to 1/8 of one per cent in terms of interest yield. To get a lender to back an eight per cent VA or FHA loan when the market is 8 1/2 per cent, the yield must be increased 3/4 per cent by a cash payment. Sellers pay such charges as federal law prohibits charging points to FHA/VA borrowers. However, lenders are allowed to charge such borrowers a one per cent origination fee.

•Note: This is a document acknowledging a debt and promising to pay it.

•Prepayment clause: Written into the mortgage agreement, this permits a borrower to repay a portion or the remainder of the

loan balance before its final due date. This may involve a penalty if the right is exercised.

•Quitclaim deed: This is a deed in which the person

granting it relinquishes any interest he or she has in a property at that time.

•Title: A document indicating evidence of ownership.

•Title insurance: This protects the insured from any defect in the title while guaranteeing the work of the title company.

•Title search: This in-

vestigation determines if a seller has all rights to the property being sold and if there are any liens or claims against it.

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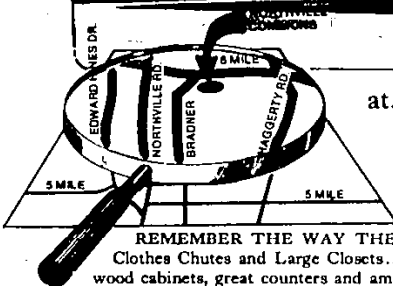
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