

Understanding real estate terms can help

"Owning your own home is part of the American dream and is one of the single largest investments you are likely to make," says Laurel Hanson, senior vice president of the Corporate Services Division of Real Estate One.

"Unfortunately, the home buying and selling process can be confusing — if not outright intimidating — to many homeowners. Understanding some basic real estate terms can help take away some of the worry of the buying and selling process," Hanson added.

Real Estate One has helped many individuals move as one of the nearly 1,200 member companies of RELO/Inter-City Relocation Service, the oldest and largest network of independent real estate brokers specializing in relocation services.

Hanson listed a number of helpful terms to assist potential home buyers and sellers understand today's "real estate lingo" and make the most of every dollar — whether they are buying or selling a home.

• **Adjustable-rate mortgage** — a loan in which the interest rate may go up or down over the years and is keyed to a financial market index. Monthly payments also may be adjusted on a periodic schedule. The initial rate often is lower than conventional financing and there is usually

a "cap" on upward adjustment of rates.

• **Balloon mortgage** — a mortgage that has substantial amount of principal due at the maturity of the note.

• **Bridge loan** — a loan that finances a mortgage between the end of one loan and beginning of a new one.

• **Closing** — the settlement of the transaction between the seller and the buyer.

• **Closing costs** — fees and expenses, not including the purchase price of the property, that are paid by the seller and/or buyer at the closing of a piece of property.

• **Conventional loan** — a fixed-rate, fixed-term loan that is made without government insurance. The interest rate stays the same for the life of the loan, therefore the monthly principal and interest payment also remain constant.

• **Earnest money** — the deposit money given to the seller by the potential buyer as evidence of good faith in purchasing real estate.

• **Escrow** — money or other valuables left in trust with a third party until the fulfillment of a specific act or condition.

• **Fannie Mae** — "nickname" for the Federal National Mortgage Association, which buys and sells FHA

and VA mortgages.

• **Freddie Mac** — "nickname" for the Federal Home Loan Mortgage Corp., which buys and sells FHA, VA and conventional loans from members of the Federal Reserve System and Federal Home Loan Bank System.

• **FHA mortgage** — a mortgage loan insured by the Federal Housing Administration.

• **Fixed-rate mortgage** — a loan, commonly for a period of 15 or 30 years, with only one stated interest rate.

• **Market value** — the basis for the listing price, the property's market value is the highest a buyer is

willing to pay and the lowest the seller will accept.

• **Mortgage** — a lien on real estate given by the buyer as security for money borrowed from a lender.

• **Mortgage insurance** — a policy that provides protection for the lender in the case of default and also guarantees repayment of the loan in the event of death or disability of the borrower.

• **Points** — a point is one percent of amount of the mortgage loan, also called "discount points."

• **Title insurance** — protection

for lenders and home owners against financial loss resulting from legal defects in title.

• **VA mortgage** — a mortgage loan guaranteed by the Veterans Administration.

"These definitions may not make you an overnight authority on real estate," Hanson said. "But understanding a few basic real estate terms can help you through the home buying and selling process."

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