

## Glossary

**“A” Loan or “A” Paper** - Considered the best credit rating. FICO scores are generally 660 and up, with no late mortgage payments and less than one 30-day late revolving or installment loan payment. No bankruptcy within the past 2 to 10 years. Good or excellent credit during last 2 to 5 years.

**Abstract Of Title** - A complete historical summary of the public records relating to the ownership of a particular piece of land. It represents a short legal history of an individual piece of property, and traces the ownership of that property from the time of the first recorded transfer to the present.

**Adjustable Rate Mortgage (ARM)** -A mortgage in which the interest rate changes over time, based on an index.

**Adjustment Index** -A published market index rate, tied either to long-term indicators (such as 3-year securities) or to short-term indicators (such as 3-month Treasury Bills). The adjustment index is used to calculate the interest rate of an ARM at origination and at time of adjustment.

**Affidavit** -A statement the buyer or seller may be asked to sign at the closing, attesting to certain information.

**Amortization** - The process of reducing debt through a schedule of fixed payments at regular intervals of time. The amount of this payment that applies to interest and the amount that applies to principal changes over time.

**Annual Percentage Rate (APR)** - The cost credit as an annual rate of a mortgage. It must be calculated by using a formula set by federal law and disclosed to the borrower to aid in comparing different credit plans. All finance charges are included in this calculation, and an APR is always higher than the simple interest rate of the mortgage.

**Appraisal** - A professional's estimate and opinion of the market value of a property. An appraisal involves an analysis of local market data and the characteristics of a property to establish a professional opinion of its current market value.

**Appreciation** - An increase in the value of a property due to changes in market conditions, home improvements, or other factors.

**Assessed Value** - The value placed on a home by municipal assessors for the purposes of determining property taxes. It is generally based on a percentage of the home's market value.

**Assessments** - Special charges by a municipality or neighborhood association for a set purpose and set period of time. For example, assessments might be charged for sewers, sidewalks, streetlights, and neighborhood facilities. Assessment may also refer to the valuation of the home for tax purposes.

**Automated Underwriting** - A computer-based method that enables mortgage lenders to process loan applications more quickly by using credit-risk scores and other loan application data to make a recommendation on whether or not to extend a mortgage loan.

**“B” Loan or “B” Paper** - FICO scores from 620 - 659. Two 30-day late mortgage payments and two to three 30-day late revolver or installment loan payments in the last 12 months. No delinquencies over 60 days are allowed. Should be 2 to 4 years since bankruptcy discharge. Higher number of continual or rolling late payments may be allowed. Also referred to as **Sub-Prime**.

**Back-End Ratio** -A ratio that compares the total of all monthly debt payments (mortgage, real estate taxes and insurance, car loans, and other consumer loans) to gross monthly income.

**Balloon Loans** - Loans in which regular monthly payments are followed by a lump sum payment of the total outstanding balance. When the loan becomes due, a large sum or "balloon" payment is required to satisfy the mortgage.

**Bankruptcy** - An alternative available to homeowners who are going through a severe financial crisis and are no longer able to pay their debts.

**Bridge Loan** - A short-term mortgage made until a longer-term loan can be made; it's sometimes used when a person needs money to build or purchase a home before the present one has been sold.

**"C" Loan or "C" Paper** - FICO scores typically from 580 to 619. Three to four 30-day late mortgage payments and four to six 30-day late revolving or installment loan payments allowed; or two to four 60-day late payments. Should have 1 to 2 years since bankruptcy discharge. Continual or rolling late payments allowable. Also referred to as **Sub-Prime**.

**Cap** - The maximum amount an interest rate or monthly payment can change, either at adjustment time or over the life of the mortgage. Typically adjustable rate loans have annual and lifetime caps.

**Capital Gain** -The profit received from the sale of an asset. It is calculated by subtracting the total amount paid (including costs incurred to purchase and sell the asset) from the higher price at which the asset is sold, less any sales commissions and costs.

**Capital Improvements** - Improvements made to the property that may increase the market value of the home.

**Cash Reserve** -A requirement of some lenders that buyers have a certain amount of cash remaining after closing (such as enough to make the first two mortgage payments).

**Casualty Protection** - Insurance coverage for damage to the house and its contents (personal property) and other structures or features of the property.

**Chapter 7 Bankruptcy** - The type of bankruptcy where homeowners are required to liquidate nonessential items of property in exchange for the cancellation of debt.

**Chapter 13 Bankruptcy** - The type of bankruptcy which allows homeowners to keep their property but requires them to repay at least some of their debts over a 3- to 5-year period.

**Clear Title** -A property title that has no defects. Properties with clear titles are marketable for sale.

**Closing** - The final steps in the transfer of property ownership. Closing typically occurs at a formal meeting between the buyer, seller, settlement agent, and the buyer's and seller's agents. At the closing, the buyer signs the mortgage and mortgage note, the seller receives payment for the property, and the buyer and/or seller pay closing costs. Once accomplished, title is transferred from the seller to the buyer. Also referred to as **Settlement**.

**Closing Costs** - The total costs of completing the transfer of ownership of the property, other than the purchase price. Typical closing costs include charges for obtaining the mortgage loan such as an origination fee, discount points, appraisal fee, survey, title insurance, legal fees, fees for real estate professionals, prepayment of taxes and insurance, and real estate transfer taxes. A common estimate of a Buyer's closing costs is 2 to 4 percent of the purchase price of the home. A common estimate for Seller's closing costs is 3 to 9 percent.

**Cloud On The Title** - Any condition which affects the clear title to real property.

**Comparative Market Analysis** - A method of real estate evaluation commonly used on single and up to four-family homes. This analysis estimates the current market value of a home by comparing it with homes in the area that have recently sold or were offered for sale.

**Compensating Factors** - Evidence of ability and willingness to repay a loan when lacking traditional criteria. This may include consideration of nontraditional employment histories and the use of rent, utility, or medical payment histories.

**Condominium** - A form of ownership in which the homeowner holds title to an individual dwelling unit and interest in the common elements that are owned jointly with the other condominium dwelling-unit owners.

**Consideration** - Anything of value to induce another to enter into a contract (i.e. money, services, a promise).

**Contingency** - A contingency is a clause in the purchase contract that describes certain conditions that must be met before the contract is binding. The buyer or the seller may include contingencies in the contract for any legal purpose, but both parties must accept the contingencies.

**Conventional Mortgage** - Any mortgage that is not insured or guaranteed by the federal government.

**Counter Offer** - A response to a purchase offer that rejects all or part of the original purchase offer but continues the negotiations in an attempt to reach an acceptable sales contract.

**Covenants** - Specific agreements or regulations, which are legally enforceable and are transferred with the deed to the new owner, governing the use of a property. Covenants may also be used in historic districts. Discriminatory covenants are illegal and unenforceable. Also known as **Covenants, Conditions, and Restrictions (CC&R); Deed Restrictions; or Restrictive Covenants.**

**Credit Bureau** - A credit-reporting agency that provides financial information about potential borrowers to lenders. Information in a credit file is obtained from lenders, banks, court records, and other sources. Also known as a **National Credit Repository.**

**Credit Report** - A report, prepared and maintained by credit bureaus, that contains information about a borrower's credit history and status. A credit report will usually show over the past seven years past loans, credit cards, and payment patterns, and will include notice of any collections. A lender or servicer will use a credit report to evaluate a loan applicant's credit worthiness.

**Credit Score** - A number calculated by computer software containing a scoring model. The score is based solely on information in the borrower's credit report and represents a person's likelihood of repaying the loan on time. Credit scores are based on information such as past payment behavior, level of indebtedness, and length of credit history.

**Debt-to-Income Ratio** - A ratio that measures total debt burden. It is calculated by dividing gross monthly debt repayments, including mortgages, by gross monthly income.

**Deductible** - The amount of cash payment that is made by the insured (the homeowner) to cover a portion of a damage or loss. Sometimes also called "out-of-pocket expenses." For example, out of a total damage claim of \$1,000, the homeowner might pay a \$250 deductible toward the loss, while the insurance company pays \$750 toward the loss. Typically, the higher the deductible, the lower the cost of the policy.

**Deed** - A written document that shows ownership of property. A deed includes the signatures of current owners and a legal description of the property. In most cases, the home buyers receive the deed at the closing of the sale, subject to recording in the public record, when they become the true owners of the home. Also known as the **Title**.

**Default** - The failure to make mortgage loan payments according to the terms of the loan. Usually a loan is considered delinquent if no payment is received 30 days after the due date, and in default after 60 –to 90 days. The rights of the lender in a defaulted loan are written in the mortgage note and include the right to begin foreclosure proceedings.

**Delinquency** - A loan in which payment has not been made by the due date. A lender or servicer may assess a late charge if payment is not made by the 15<sup>th</sup> day.

**Depreciation** -A decrease in the value or price of a property due to changes in market conditions, wear and tear on the property, or other factors.

**Disclosures** - Usually refers to providing information about a property for sale, especially as it represents actual or potential defects or problems. "Full disclosure" usually refers to the responsibility of the seller to voluntarily provide all known information about the property. Some disclosures may be required by law, as in the case of the federal requirement to warn of potential lead-based paint hazards in pre-1978 housing.

**Document Recording** - Following closing, certain documents are recorded and made part of the public record. Typically, the necessary discharges are filed first for any prior mortgages or liens of record, followed by one deed conveying title to the new home buyer, then the new mortgage securing the lender's interest in the home via the home buyer's purchase of the mortgage.

**Down Payment** - The money paid by the buyer to the lender at the time of the closing. The amount of the down payment is the difference between the sales price and the mortgage loan. Down payment requirements vary by loan type. A smaller down payment, less than 20 percent, usually requires mortgage insurance.

**Due - on - Sale Clause** - A term or condition in a mortgage allowing the lender to demand repayment in full if the borrower sells the property securing the mortgage (to prevent assumption).

**Earnest Money** - A deposit of money given by the buyer to bind a purchase offer and which is held in escrow until the sale is closed. If the sale of the property is closed, the earnest money is applied to the purchase price. If the buyer does not complete all obligations of the purchase offer and the sale is not closed, the earnest money may be forfeited. Within the buyer contingency period, if any contingencies are not met to the buyer's satisfaction, the earnest money is returned to the buyer.

**Easements** - Legal right of access to or use of a property or use by a specific person(s) or certain groups for specific purposes. Easements may affect property values and sometimes are granted after a monetary exchange. Easements are sometimes a part of the deed or can be part of a master document recorded in the public records and transferred to a new property owner.

**Encroachments** - A building, driveway, fence, or other structure that extends over the legal property line or beyond the buildable space of the lot (inside the **setbacks**). An encroachment may arise from a structure or the subject property itself, or from a neighboring property. Encroachments are noted as part of the survey of the lot which may be done for the property transfer. The buyer or seller may be advised to remove the encroachment to prevent future problems.

**Equity** - The value of the property, less the loan balance and any outstanding liens or other debts against the property.

**Escape Clause** - A clause in the purchase contract that requires the buyer to respond to changed circumstances of the sale within a set time period or the contract is voided. The most common use of the escape clause is when the buyer makes the purchase offer contingent on the sale of another house. Typically, the seller's house remains on the market while the buyer tries to sell the contingent house. If another purchase offer is received for the seller's house, the first buyer has a set time (often only 24 to 48 hours) to agree to remove the house-sale contingency and proceed with the closing of the sale.

**Escrow** - Funds held by a neutral third party (the escrow agent) until certain conditions of a contract are met and the funds can be paid out. Escrow accounts are also used by loan servicers to pay property taxes and homeowner's insurance. Funds for property improvements after closing are typically held by the title company or lender and disbursed upon completion of the improvements.

**Fair Credit Reporting Act** - Enacted in 1971 and revised effective as of October 1997, governs the activities by Credit Bureaus and regulates the release of confidential information by Credit Bureaus.

**Fair Housing Act** - Title VIII of the Civil Rights Act of 1988 prohibits discrimination in housing because of race, color, national origin, religion, sex, handicap, or familial status.

**Familial Status** - When used in the context of housing discrimination, HUD defines "Familial Status" as a single individual, a household that includes children under 18 living with parents or legal custodians, or pregnant women.

**Fannie Mae** - The Federal National Mortgage Association, a major national investor in home loans. A private corporation created by Congress to support the secondary mortgage market and increase the availability and affordability of home loans for low-, moderate-, and middle-income Americans. Also known as a **Government Sponsored Enterprise (GSE)**.

**FHA/HUD Insured Mortgages** - A mortgage insured by the Federal Housing Administration of the United States Department of Housing and Urban Development and made by an approved lender or servicer in accordance with the FHA/HUD regulations.

**First Mortgage** - The mortgage that has first claim in the event of default.

**Fixed - Rate Mortgage** - A type of mortgage loan in which the interest rate does not change during the entire term of the loan.

**Float** - The act of allowing an interest rate and discount points to fluctuate with changes in the market.

**Flood Insurance** - Insurance that is required on homes located in a flood plain. Offered by the National Flood Insurance Program.

**Foreclosure** - The legal process that allows a lender to sell a mortgaged property to recover losses when the owner defaults on the loan. The phases involved in the foreclosure process depend on the type of foreclosure undertaken and on the statutes of each state.

**Freddie Mac** - The Federal Home Loan Mortgage Corporation, a major national investor in home loans. A private corporation created by Congress to support the secondary mortgage market and increase the availability and affordability of home loans for low-, moderate-, and middle-income Americans. Also known as a **Government Sponsored Enterprise (GSE)**.

**Front-End Ratio** - A ratio that compares a borrower's total monthly expenses for housing (mortgage principal and interest, real estate taxes, and insurance) to his or her gross monthly income.

**FSBO (For Sale by Owner)** - A home that is offered for sale by the owner without the benefit of a real estate professional.

**Home Inspection** - Professional inspection of a home to evaluate the home's overall quality, safety, and soundness as well as the potential for future problems. Home inspection fees are typically paid by the home buyer.

**Homeowner's or Hazard Insurance** - Insurance that protects the homeowner's property against damage, such as that from fire, storms, and other hazards. Most lenders require hazard insurance. Hazard insurance typically is paid through an escrow account as part of the monthly mortgage payment.

**Homestead Credit** - Property tax credit program, offered by some state governments, that provides reductions in property taxes to eligible households.

**Indemnification** - To save harmless, secure against any loss or damage, compensate or give security for reimbursement for loss or damage incurred. A home owner should negotiate for inclusion of an indemnification provision in a contract with a general contractor or for a separate indemnity agreement protecting the home owner from harm, loss or damage caused by actions or omissions of the general (and all sub) contractor.

**Inflation Coverage** - Endorsement to a homeowner's policy that automatically adjusts the amount of insurance to compensate for inflationary rises in the home's value. This type of coverage does not adjust for increases in the home's value due to improvements.

**Interest** - The percentage of the loan money that is charged to the borrower. It represents the cost of borrowing the money.

**Joint Tenancy (with Rights of Survivorship)** - Two or more owners share equal ownership and rights to the property. If a joint owner dies, his or her share of the property passes to the other owners, without probate. In joint tenancy, ownership of the property cannot be willed to someone who is not a joint owner.

**Late Payment Charges** - The penalty the homeowner must pay when a mortgage payment is made after the due date grace period.

**Lien** -A claim of money against a property, wherein the value of the property is used as security in repayment of a debt. Examples include a mechanic's lien, which might be for the unpaid cost of building supplies, or a tax lien for unpaid property taxes. A lien is a defect on the title and needs to be settled before transfer of ownership. A lien release is a written report of the settlement of a lien and is recorded in the public record as evidence of payment.

**Listing Agreement** - A contract between a seller and a real estate professional to market and sell a home. A listing agreement obligates the real estate professional (or his or her agent) to seek qualified buyers, report all purchase offers and help negotiate the highest possible price and most favorable terms for the property seller.

**Loan Acceleration** - An acceleration clause in a loan document is a statement in a mortgage that gives the lender the right to demand payment of the entire outstanding balance if a monthly payment is missed.

**Loan Origination Fee** - A charge by the lender to cover the administrative costs of making the mortgage. This charge is paid at the closing and varies with the lender and type of loan. A loan origination fee of 1 to 2 percent of the mortgage amount is common.

**Loan Servicer** - The company that collects monthly mortgage payments and disperses property taxes and insurance payments. Loan servicers also monitor nonperforming loans, contact delinquent borrowers, and notify insurers and investors of potential problems. Loan servicers may be the lender or a specialized company that just handles loan servicing under contract with the lender or the investor who owns the loan.

**Loan-To-Value Ratio (LTV)** - The percent of the appraised value of a property (or the sales price of that property, if it is lower) that may be loaned.

**Lock-In** - A written guarantee that the buyer will receive a specified interest rate, provided that the loan "closes" within a set period of time.

**Margin** - The spread between the index rate and the ARM rate; the number of percentage points added to the market index rate to determine the interest rate of an ARM.

**Market Value** - The amount a willing buyer would pay a willing seller for a home. An appraised value is an estimate of the current fair market value.

**Mitigation** - Term usually used to refer to various changes or improvements made in a home; for instance, to reduce the average level of radon.

**Mortgage** - A security agreement between the lender and the buyer in which the property is collateral for the loan. The mortgage gives the lender the right to collect payment on the loan and to foreclose if the loan obligations are not met.

**Mortgage Broker** - A company or individual that matches borrowers with lenders for a fee.

**Mortgage Insurance** - Insurance purchased by the buyer to protect the lender in the event of default. Typically purchased for loans with less than 20 percent down payment. The cost of mortgage insurance is usually added to the monthly payment. Mortgage insurance is maintained on conventional loans until the outstanding amount of the loan is less than 80 percent of the value of the house or for a set period of time (7 years is common). Mortgage insurance also is available through a government agency, such as the Federal Housing Administration (FHA) or through companies (**Private Mortgage Insurance** or **PMI**).

**Mortgage Insurance Premium (MIP)** - The fees paid by a FHA borrower for mortgage insurance. Typically for mortgage loans with a down payment of less than 20 percent.

**Mortgage Interest Deduction** - The interest cost of a mortgage, which is a tax-deductible expense. The interest reduces the taxable income of taxpayers.

**Mortgage Note** - A legal document obligating a borrower to repay a loan at a stated interest rate during a specified period; the agreement is secured by a mortgage that is recorded in the public records along with the deed.

**Mortgage Score** - A score based on a combination of information about the borrower that is obtained from the loan application, the credit report, and property value information. The score is a comprehensive analysis of the borrower's ability to repay a mortgage loan and manage credit.

**Mortgagee** - The lender in a mortgage agreement. **Mortgagor** - The borrower in a mortgage agreement.

**Multiple Listing Service (MLS)** - Within the Metro Columbus area, Realtors submit listings and agree to attempt to sell all properties in the MLS. The MLS is a service of the local Columbus Board of Realtors®. The local MLS has a protocol for updating listings and sharing commissions. The MLS offers the advantage of more timely information, availability, and access to houses and other types of property on the market.

**National Credit Repositories** - Currently, there are three companies that maintain national credit-reporting databases. These are Equifax, Experian, and Trans Union. Also referred to as **Credit Bureaus**.

**Negative Amortization** - An increasing debt which occurs when the borrower's monthly payments do not cover the interest due; as a result, the interest due is added to the loan balance.

**Notary Public** - A public official who attests or certifies that documents, including signatures, are authentic. A notarized document will bear the signature of the notary and the stamp and/or expiration date of the notary's authority.

**Origination Fee** - A fee paid to a lender for processing a loan application; a form of interest paid up front at closing. Stated as a percentage of the mortgage amount, typically 1 percent.

**Owner Financing** - A purchase in which the seller provides all or part of the financing, thus acting as a lender.

**Ownership** - Ownership is expressed by the deed to a property. The type or form of ownership is very important if there is a change in the status of the owners or when the property changes ownership.

**Owner's Policy** - The insurance policy that protects the buyer from title defects.

**Payment Cap** - A limit on how much an ARM's payment amount may increase, regardless of how much the interest rate increases.

**Perils** - When applied to homeowner's insurance, a peril is an event that can damage the property. Homeowner's insurance may cover the property for a wide variety of perils caused by accidents, nature, or people.

**PicoCuries per Liter** - The units used to measure the quantity of radiation in a given amount of air, indicating the level of radon in a building.

**PITI (Principal, Interest, Taxes, and Insurance)** - Stands for principal, interest, (property) taxes, and insurance—the typical components of a monthly mortgage payment with escrow.

**Planned Development** - A neighborhood or development that is planned, developed, and constructed as an entity. Usually there are common features in the homes or lots governed by covenants attached to the deed. Most planned developments also have common land and/or facilities owned and managed by the owners' or neighborhood association. Homeowners usually are required to participate in the association through, at a minimum, payment of annual dues. Also known as **Planned Unit Development, PUD**.

**Points** - Points are charged by the lender at closing, and are a one-time cost of obtaining the mortgage funds. One point is equal to 1 percent of the amount of a mortgage loan. Points are sometimes paid at closing as a way to lower the monthly payment interest rate. The number of points and who pays the points are negotiable terms of a property sale.

**Pre-Approval** - The process of applying for a loan and obtaining approval for a maximum loan amount before having a purchase agreement.

**Prepayment Penalty** - A fee that is charged to a homeowner who pays one or all of the monthly payments before the due date, and can apply to additional principal reduction payments.

**Principal** - The actual amount of money borrowed, or the amount of the loan that has not yet been paid back to the lender (the borrower's debt).

**Principal, Interest, Taxes, and Insurance (PITI)** - The typical components of a monthly mortgage payment with escrow.

**Private Mortgage Insurance (PMI)** - Insurance purchased by the buyer to protect the lender in the event of default. The cost of mortgage insurance is usually added to the monthly payment. Mortgage insurance is usually maintained until the outstanding amount of the loan is less than 80 percent of the value of the house, or for a set period of time (7 years is common). Mortgage insurance may be available through a government agency, such as the Federal Housing Administration (FHA) or the Veterans Administration (VA), or through commercial companies (referred to as private mortgage insurance or PMI).

**Property (Fixture and Non-Fixture)** - In a real estate contract, the property is the land within the legally described boundaries and all permanent structures and fixtures. Ownership of the property confers the legal right to use the property as allowed within the law, such as within the restrictions of zoning or easements. **Fixture property** refers to those items permanently attached to the structure, such as wall-to-wall carpeting, a sink, or a ceiling light, which transfer with the property.

**Property Tax** - A tax charged by the local government and used to fund a variety of municipal services such as schools, police, or street maintenance. The amount of property tax is determined locally by a formula, such as a certain percent per \$1,000 of assessed value of the property.

**Punch List** - A list of items that have not been completed at the time of the final walk-through of a newly constructed home.

**Purchase Offer** - A detailed, written document that makes an offer to purchase a property, and that may be amended several times in the process of negotiations. When signed by all parties involved in the sale, the purchase offer becomes a legally binding contract, sometimes called the Sales Contract.

**Qualifying Ratios** - Guidelines used by lenders to determine how large a loan a prospective home buyer is qualified to borrow. Lending guidelines typically include both a maximum monthly housing expense-to-income ratio and a maximum total monthly debt expense-to-income ratio.

**Quitclaim Deed** - A deed that transfers the ownership of the property but does not make any guarantee of clear title.

**Radon** - A colorless, odorless radioactive gas that results from the natural decay of uranium in the earth. In certain parts of Metro Columbus, radon may leak into homes and build up to levels that may threaten health.

**Rate Cap** -A feature of an ARM that limits how much the interest rate or mortgage payments may change. Rate caps limit how much the interest rate can rise or fall at the adjustment dates and over the life of the loan.

**Real Estate Property Tax Deduction** - A form of tax-deductible expense that reduces a taxpayer's taxable income.

**Real Estate Settlement Procedures Act (RESPA)** - A consumer-protection law that requires lenders to give borrowers a good-faith estimate of the costs they are liable to pay at closing.

**Recording Fees** - Charges for recording the deed with the appropriate municipal or government agency.

**Reinstatement Period** - One of the phases of foreclosure, during which the homeowner has the opportunity to stop the foreclosure process by paying the money that is owed to the lender or servicer.

**Risk Scoring** - An automated way of analyzing a credit report instead of by an individual, manual review. It considers late payments, outstanding debt, credit experience, inquiries, etc., in a sophisticated, accurate, inexpensive, and unbiased manner.

**Second Mortgage** - An additional mortgage whose repayment rights in the event of a default would come after the rights of the first mortgage. As a result, these loans are more risky for the lender and therefore usually charge a higher interest rate.

**Secondary Mortgage Market** - The buying and selling of existing mortgage loans. Mortgage investors purchase residential mortgages originated by primary lenders, which in turn provides lenders with money for future lending.

**Seller Take-Back** - An agreement in which the owner of a property provides second mortgage financing, often in combination with an assumed mortgage in lieu of a portion of the seller's equity.

**Setback** - The distance between the property line and the allowable buildable space. Setbacks are used to assure adequate space between buildings and from the road for a variety of purposes, including drainage, utility and emergency access, and neighborhood quality.

**Settlement Statement** - This document is required by the Real Estate Settlement Procedures Act (RESPA) and is an itemized statement of services and charges relating to the closing or settlement of the property transfer. The buyer has the right to examine the settlement statement 1 day before the closing. This is called the HUD-1 Settlement Statement (after the name of the standard form).

**Survey of Property** - Surveys are conducted by a licensed surveyor and are usually required by the lender in order to confirm that the property boundaries and features such as buildings, improvements, and easements are as detailed in the legal description of the property in the deed. Usually a surveyor will prepare a plat or map of the property that details all features.

**Title** - A legal document establishing the right of ownership and which is recorded and made part of the public record. In Ohio, the original deed is mailed to the homeowner shortly after the closing and it has been recorded. The lender holds the original mortgage until the loan is paid off. Also known as the **Deed**.

**Title Defect** - An outstanding claim or encumbrance on a property that limits the marketability or sale of the property. Sometimes referred to as a cloud on the title.

**Title Insurance** - An insurance policy that guarantees the accuracy of the title search and protects against potential errors. Most lenders require the buyer to purchase a title insurance policy protecting the lender against loss in the event of a title defect. This charge is included in the closing costs. A policy that protects the buyer from title defects, known as an owner's policy, requires an additional charge.

**Title Search** - A historical review of all recorded legal documents pertaining to the ownership of property to determine if there have been any flaws in prior transfers of ownership or if there are any claims or encumbrances on the title to the property. A title search is conducted in preparation for closing and, in some cases, to write the abstract of title.

**Transfer Taxes** - State and/or local taxes for the transfer of real estate, usually equal to a percentage of the sales price. Franklin County charges \$1.00 per thousand dollars.

**Truth-in-Lending Statement** - This document is required by the Real Estate Settlement Procedures Act (RESPA) and gives the annual percentage rate of the mortgage loan after all charges and fees are calculated, as well as the terms and details of the loan. A borrower must receive a Truth-in-Lending Statement within 3 days of making a loan application. If there are any corrections or changes to the mortgage loan, a borrower must receive a corrected Truth-in-Lending Statement no later than the closing.

**Underwriting** - The process of evaluating a loan application to determine the risk involved for the lender, and to prepare the file for closing.

**Up-Front Charges** - The fees charged to homeowners by the lender or servicer at the time of accepting a mortgage loan. These include points, broker's fees, insurance, and other charges involved in the transaction.

**Variance** - A special suspension of zoning laws to allow the use of property in a manner not in accord with existing laws.

**Walk-Through** - A final inspection of the property by the buyer and the buyer's agent, to determine that the property is as described in the purchase agreement. This inspection will confirm that any contingencies specified in the agreement, such as repairs, were completed; that all fixture and non-fixture property is in place; and, if specified in the contract, confirm that electrical, mechanical, and plumbing systems are in working order and that the property is in working order and is "broom clean." The walk-through typically is conducted right before the closing.

**Warranty Deed** - A legal document that includes the guarantee that the seller is the true owner of the property and has the right to sell the property and that there are no claims against the property.

**Zoning** - Zoning laws are local laws that are established to control and guide the uses of land within a particular zone. An important use of zoning law is to separate residential land use from areas of non-residential use that would affect the quality of life in a community. Zoning ordinances may dictate a variety of factors, such as type of structure, setbacks, lot size, and uses of buildings. A variance to a zoning ordinance may be granted, typically after a public hearing, to allow some variation of the zoning law.

**If you didn't find what you were looking for please ask us.  
Remember, the only dumb question is the one you don't ask!**