



IMPORTANT

REAL ESTATE TERMS

APPRAISAL – This is when a licensed property appraiser personally inspects the property and estimates its current value. Appraisals are mostly ordered by lenders to make sure the house they are using as collateral for the loan is worth the money. Lenders will adjust their loan amount if the appraised value of the property comes in below the contracted purchase price.

CLEAR TO CLOSE – This is the final approval lenders give to the title company to prepare the closing documents.

CONDITIONS – These are the documents lenders request in order to process and answer any questions the loan underwriters may have.

ESCROW OR EARNEST MONEY DEPOSIT – The earnest money deposit is a buyer's partial payment, as a show of good faith, to make the contract binding. Most commonly, the earnest money is held in an escrow account to be deducted from the purchase price once the transaction is ready for closing.

FIRPTA – The Foreign Investment in Real Property Tax Act, better known as FIRPTA, 26 U.S.C. § 1445, provides that a buyer must withhold 10 percent of the amount realized by a foreign seller in the sale of an interest in US real property. If the seller is a foreign person and the buyer fails to withhold the 10 percent, the buyer may be held liable for the tax due.

HOA – Homeowners Association. This is a nonprofit association that manages the common areas of a planned unit development (PUD) or condominium project. In a condominium project, it has no ownership interest in the common elements. In a PUD project, it holds title to the common elements.

HOA ESTOPPEL – This is a document that outlines information regarding the current owner's financial standing in regard to the HOA, including what is due and what has not been paid. It also indicates any assessments that are in progress or projected, and any code violations standing with the HOA.

HOMEOWNERS INSURANCE – This is an insurance policy that combines personal liability insurance and hazard insurance coverage for a dwelling and its contents. It is required on financed properties, not on cash deals (but highly recommend for purchasing before closing, as rates can increase dramatically after closing). It protects against loss caused by fire, some natural causes, vandalism, and other situations depending on the terms of the policy.

HOME WARRANTY – This is a type of insurance homeowners often purchase that will cover repairs to certain items such as heating or air conditioning, should they break down within the coverage period.

HOME INSPECTION – This is a thorough inspection, by a licensed professional, that evaluates the structural and mechanical condition of a property. A satisfactory home inspection is often included as a contingency by the purchaser.

LOAN COMMITMENT – This is a lender's agreement to give a loan to a specific borrower on a particular property—also known as conditional approval—because some conditions need to be satisfied before the lender provides full approval.

MUNICIPAL LIEN SEARCH – This searches the property's history for any code or permit violations, unrecorded liens, and real property taxes and utilities that are associated with the property.

SETTLEMENT HUD OR HUD-1 – This is a document that provides an itemized listing of the funds that were paid at closing. As of October 2015, this is being replaced by a closing disclosure or CD, which provides clarity to borrowers and more information on all parties involved in the transaction. For privacy reasons CDs for buyers and sellers are created and disclosed as two separate documents.

SURVEY – This is a drawing or map showing the precise legal boundaries of a property, the location of improvements, easements, rights of way, encroachments, and other physical features.

TITLE COMMITMENT – This is insurance that protects the lender (lender's policy) or the buyer (owner's policy) against loss arising from disputes over ownership of a property. This is provided by the title office once it searches and checks the title records to ensure that the seller is the legal owner of the property and that there are no liens or other claims outstanding.

WARRANTY DEED – This is a legal document containing a covenant by the seller to protect the buyer against being dispossessed due to adverse claims against the land. A deed in which the seller warrants or guarantees that good title is being conveyed.

WIRE – This is a method of electronic funds transfer from one person or entity to another. Final closing funds must be in the form of a wire transfer. Wiring funds is the quickest and safest way to transfer money.

