



GLOSSARY

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Broker

Broker has several meanings in different situations. Most real estate agents work under a "broker." Some agents are brokers as well, either working for themselves or under another broker. In the mortgage industry, broker usually refers to a company or individual that does not lend the money for the mortgages themselves, but uses money from larger lenders or investors. As a normal definition, a broker is anyone who acts as an agent, bringing two parties together for any type of transaction and earns a fee for doing so.

Closing

(Also called "Settlement.") The completion of a real estate transfer, where the title passes from seller to buyer, or a mortgage lien is given by the borrower to secure debt undertaken by the buyer to purchase the home.

Closing Agent

(Also called a "settlement agent," "closer" or "escrow officer.") The person responsible for facilitating a closing. The closing agent is usually either an attorney or a representative of the title company.

Closing Costs

Miscellaneous expenses involved in closing a real estate transaction over and above the price of the land. These expenses may include such items as transfer taxes, recording fees, legal fees, etc.

Deed

The document that, when recorded with your local government, determines ownership of a property. A deed describing the property, signed by the seller, is given to the buyer at closing.

Easement

A right to use the land of another person for a specific purpose, such as for a right-of-way or utilities. For example, when deemed necessary by the local community, a utility company may obtain a right-of-way to run power lines across a private property.

Encumbrance

Any interest, right, lien or liability attached to a parcel of land (such as unpaid taxes or an unsatisfied mortgage) that constitutes or represents a burden upon the property.

Errors and Omissions Insurance

A type of malpractice insurance coverage for real estate professionals (such as real estate agents, home inspectors, appraisers, etc.). The coverage protects them against financial losses from lawsuits filed as a result of their work in the real estate profession.

Escrow

Closing a real estate transaction when all required documents and funds are placed with a third party for processing and disbursement. This term is also used for the account in which parties place these funds prior to distribution at closing.

Fidelity Bonds

An insurance bond taken by a business or employer on designated employees. The bond provides insurance coverage in case of employee theft, fraud or misrepresentation.

Homeowner's Insurance

Real estate insurance protecting against loss caused by fire, some natural causes, vandalism, etc., depending on the terms of the policy. Also includes coverage such as personal liability and theft away from home.

HUD-1

A document that provides an itemized listing of the funds to be paid, or that were paid at closing. Items that appear on the statement include real estate commissions, loan fees, points and initial escrow amounts. Each type of expense goes on a specific numbered line on the sheet. The totals at the bottom of the HUD-1 statement define the seller's net proceeds and the buyer's net payment at closing. It is called a HUD-1 because the form is printed by the Department of Housing and Urban Development (HUD). The HUD-1 statement is also known as the "closing statement" or "settlement sheet."

Inspection

An investigation and analysis of a property by a qualified property inspector or engineer. Such inspections are typically optional but highly recommended for homebuyers.

Judgment

The decision of a court regarding the rights of parties in an action. A judgment often involves an award, which may be rights to a property or a specific monetary amount, that if recorded can become a lien on the property.

Lender

The person or institution who provides money to a borrower for a limited period in exchange for full repayment of the original principal loan balance plus loan costs and interest. Mortgage

documents often refer to the lender as the mortgagee and the borrower as the mortgagor, trustor or beneficiary.

Lender's Policy

A title insurance policy insuring the lender financing a parcel of real estate against loss caused by defects in the borrower's title.

Lien

A monetary charge imposed on a property, usually arising from some debt or obligation.

Loan Origination Fee

A charge imposed by the lender, payable at closing, for processing the loan.

Mechanic's Lien

A lien on real estate that secures the payment of debts owed to persons who perform labor or services or furnish materials related to the construction of buildings and improvements on the real estate.

Mortgage

A conditional conveyance of property as collateral for a debt; to offer a property as a security for a loan. With a mortgage loan, the borrower will still own the property; the mortgage merely gives the lender the right to foreclose and obtain ownership if the borrower defaults on the loan. In some states, the term "deed of trust" is used to refer to the mortgage.

Owner's Policy

A title insurance policy insuring an owner of real estate against loss caused by defects or unmarketability of the owner's title.

Points

(Also called "Discount Points") A unit of measure for charges on loans; one point is 1 (one) percent of the loan amount. For example, if the borrower is assessed a two-point discount fee on a \$150,000 loan, that borrower must pay \$3,000 ($\$150,000 \times 2.00$ percent) as the discount fee. Often, paying points up-front relates to a lower interest rate on a loan.

Private Mortgage Insurance (PMI)

Required on virtually all conventional loans with less than 20 percent down payment. The premiums for PMI are included in your mortgage payment, and protect the lender should you default on the loan. On Federal Housing Authority (FHA) loans, you will pay a MIP (Mortgage Insurance Premium) which accomplishes the same purpose.

Property Tax

(Also called "Real Estate Tax.") Property taxes are government assessments on real estate property. With mortgage financing, the local, county or state tax assessment on real estate property is considered part of the monthly housing obligation and typically collected and set aside by the lender in an escrow account for payment to the appropriate government entity at the required time.

REALTOR®

A real estate agent, broker or an associate who holds active membership in a local real estate board that is affiliated with the National Association of REALTORS®.

Registry of Deeds

The records of land title documents kept by the County Recorder or Recorder of Deeds. These are public information, but may require assistance of an employee to locate.

Sales Agent

Any person employed by or on behalf of an agency to perform real estate brokerage services and licensed by the commission as a sales agent.

Settlement

(Also called “Closing.”) The completion of a real estate transfer, where the title passes from seller to buyer, or a mortgage lien is given to secure debt undertaken to purchase the home.

Settlement Agent

(Also called a “closing agent,” “closer” or “escrow officer.”) The person responsible for facilitating a closing. The settlement agent is usually either an attorney or a representative of the title company.

Survey

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

A combination of all the elements that constitute the highest legal right to own, possess, use, control, enjoy, and dispose of real estate or an inheritable right or interest therein.

Title Insurance

A contract of title insurance under which a title insurance company, in keeping with the terms of the policy, agrees to indemnify the insured (the homeowner) against loss arising from claims against the insured interest (the property).

For more information and additional definitions, please visit www.usatitleandescrow.com