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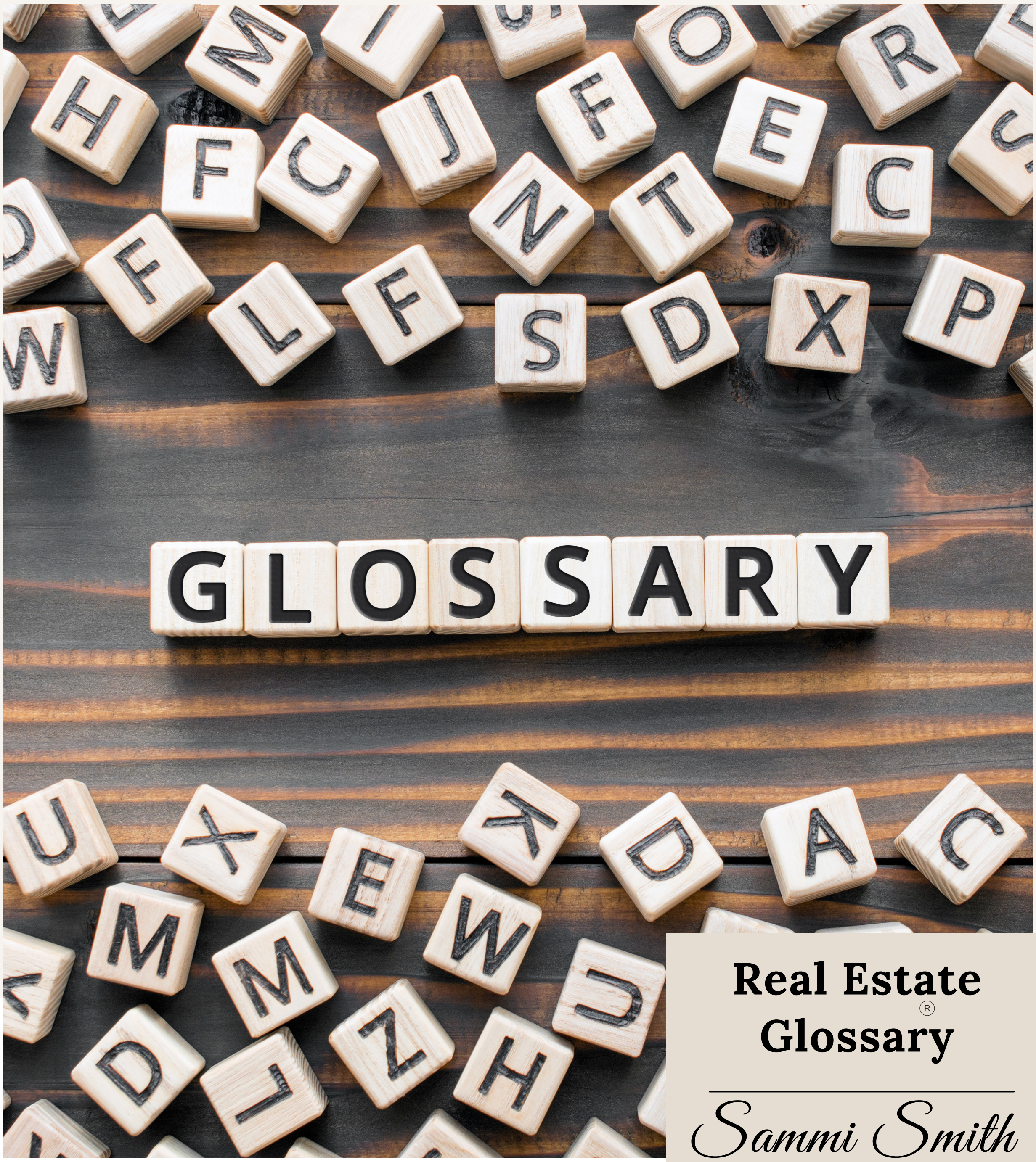
KW LAKE NORMAN



Real Estate Glossary

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Commonly used terms...

Throughout the real estate transaction you will hear some commonly used terms. We created a glossary to help you identify and understand each term throughout the transaction.

Acceptance: Can also be referred to as "meeting of the minds". Both buyer and seller agree to all terms of the contract, and the contract is signed by buyer first, then seller and returned to all parties.

Annual Percentage Rate (APR): An annual percentage rate (APR) is the annual rate charged for borrowing (in the case of Mortgages), and is expressed as a percentage that represents the actual yearly cost of funds over the term of a loan.

Appraisal: An appraisal is an unbiased, professional opinion of a home's value. In FL, Appraisers go through many hours of training and apprentice work before becoming appraisers. Appraisals are almost always used in purchase and sale transactions if financing. If the purchase is cash, you can obtain an appraisal at your own discretion. In a purchase and sale transaction, an appraisal is used to determine whether the home's contract price is appropriate given the home's condition, location, and features.

Appreciation/Depreciation: Homes gain or lose value over time based on many factors that include: the economy, supply and demand for housing, improvements, wear and tear, natural disasters, additions, etc.

As-Is: without guarantees as to condition. Sellers will not make any repairs or provide credits for any issues found on the inspection report.

Assignment: the method by which a right or contract is transferred.

Capitalization (Cap) Rate: rate of return used to derive the capital value of an income stream, divide annual income by net operating income.

Clear Title: a marketable title, one free of clouds and disputed interests.

Closing Costs: Closing costs are expenses over and above the price of the property in a real estate transaction. These costs are paid at the time of closing, and depending on the type of loan, all or a portion of the closing costs can be negotiated to be paid by the seller. Costs incurred include loan origination fees, discount points, appraisal fees, title searches, title insurance, surveys, taxes, deed-recording fees and credit report charges. Prepaid costs are those that recur over time, such as property taxes and homeowners' insurance. Your lender will go over these with you.

Commonly used terms...

Closing Statement: A document commonly used in real estate transactions, detailing the fees, commissions, insurance, etc. that must be transacted for a successful transfer of ownership to take place. This document is prepared by a closing real estate agent and is also known as a “settlement sheet”.

Cloud on Title: an outstanding claim or encumbrance that, if valid, would affect or impair the owner’s title.

Comparative Market Analysis (CMA): The best method available to home sellers to learn their home’s current value so they can select the best sale price is a CMA, or Comparative Market Analysis. CMA is the term real estate agents use when they conduct an in-depth analysis of a home’s worth in today’s market.

Conditions, Covenants, and Restrictions (CCR’s): promises written into deeds and other instruments agreeing to performance or nonperformance of certain acts, or requiring or prohibiting certain uses of the property.

Contingency: A contingency is a condition or action that must be met for a real estate contract to be completed. A contingency becomes part of a binding sales contract when both agree to the terms and sign the contract. Common contingencies can be: contingent upon sale of another home, contingent upon buyer obtaining a mortgage, or contingent upon an appraisal for the sale price or higher, contingent on inspections.

Convey: to deed or transfer title to another.

Counter Offer: A counter offer can be made by either party (buyer or seller) until both parties agree to all terms and the final contract can be signed. An offer is made up of several components that buyer and seller will negotiate price, amount of earnest money deposit (see below under Escrow), closing date, inclusions, and exclusions (see below).

Deed :written document, properly signed and delivered, that conveys title to real property.

Deed of Trust: A written instrument legally conveying property to a trustee often used to secure an obligation such as a mortgage or promissory note.

Deed Restriction: see Conditions, Covenants, and Restrictions.

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Disclosure: For purposes of buying a home, the type of disclosure that is going to be outlined here is a property disclosure. This is a fairly standard document (but not required) in which sellers of a home fill out all known information about their homes regarding ages of systems, presence of termites or radon, etc. This document helps buyers make informed decisions about their offer price, and what they are getting into when buying a home. This will become part of the contract of sale if the property does have a disclosure. Some instances where a home will have no disclosure are a foreclosure or an estate sale. We trust but verify all items in a disclosure.

Due Diligence: The act of carefully reviewing, checking and verifying all of the facts and issues before proceeding. In lending it is, among other things, verification of employment, income and savings; review of the appraisal; credit report; and status of the title.

Due Diligence Fee: The due diligence fee is a nonrefundable fee that a potential buyer pays directly to the seller. It gives the buyer the right to change their mind for any reason during the due diligence period

Escrow: Escrow is when funds are held by a third party on behalf of two parties completing a transaction. In a real estate transaction, if both parties agree to the terms of the offer and sign the contract, the buyer makes an earnest money deposit - a sum paid as evidence of good faith, typically amounting to 1-2% of the sale price. The funds are held by an escrow company (typically the buyers closing attorney) until closing. Other names/abbreviations for the earnest money deposit could be: "escrow check", "EMO", "good faith deposit" etc.

Grantee: the party to whom title to real property is conveyed.

Grantor: the party who gives the deed.

Hazard Insurance: Also known as Homeowner's Insurance. Insurance that protects a property owner against damage caused by fires, severe storms, earthquakes or other natural events. As long as the specific event is covered within the policy, the property owner will receive compensation to cover the cost of damage incurred. Typically, the property owner will be required to pay for a year's worth of premiums at the time of closing.

Commonly used terms...

HOA (Home Owner's Association): A homeowner's association (HOA) is an organization in a subdivision, planned community or condominium that makes and enforces rules for the properties within its jurisdiction. The purchase of the property automatically makes the homeowner a member of the HOA and dues are required. Some associations can be very restrictive about what members can do with their properties.

Home Inspection: A licensed home inspector is often hired by a potential home buyer to provide a written report regarding a property's condition, including an assessment of necessary or recommended repairs, maintenance concerns or other issues. A home inspection is an examination of the property's condition, and should not be confused with a home appraisal, which determines the value of the property.

Inclusions/ Exclusions: Certain things can be included or excluded in the sale of a property and they will be outlined in the contract of sale. Oftentimes, the washer, dryer, and refrigerator are things that can be negotiated to be included or excluded from the sale of the property. Home warranties, light fixtures, curtain rods, blinds/ window treatments are other things that can be included or excluded. Personal property and furniture are typically excluded from the sale.

Lien: A lien is a legal right granted by the owner of property, by a law, or otherwise acquired by a creditor. A lien serves to guarantee an underlying obligation, such as the repayment of a loan. If the underlying obligation is not satisfied, the creditor may be able to seize the asset that is the subject of the lien. In this case, the asset is your home- your mortgage is a loan on the property secured by a lien.

LTV (Loan to Value): The LTV ratio is calculated as the amount of the mortgage lien divided by the appraised value of the property, expressed as a percentage. Generally, the higher the loan to value ratio, the higher the risk is for the mortgage company. You may see LTV on your lender's preapproval letter but will not likely encounter or need to know much about it otherwise.

Mortgage: A mortgage is a loan for the purchase of a property that is secured by a lien on the property. The site below details types of mortgages, but it is always best to have a conversation with your lender to determine the best type of mortgage that you can qualify for. http://www.homebuyinginstitute.com/mortgagetypes.php

Commonly used terms...

MIP(Mortgage Insurance Premium): Mortgage insurance for FHA loans, This is paid monthly. Mortgage insurance gives the lender extra security because they are at a higher risk when the purchaser is putting less than 20% down. FHA loans require a 3.5% down payment.

Offer to Purchase: Offers are presented in writing to the seller. The offer will include the purchase price, the amount of earnest money the buyer wants to give, the closing date, inclusions and exclusions. This can be in the form of a contract or a separate offer form. The offer is not binding on either party until there is a fully executed contract. There are typically several negotiations between buyer and seller from the time of the initial offer until the time the contract is finalized and ready to be signed.

Open House: Open houses are a great way to check out local real estate for sale, because agents will open up their listings to be seen by the public without an appointment for several hours. Agents typically have open houses on Saturday or Sunday. If you are working with an agent, you still may see an open house, just sign in with your agent's name or they may accompany you.

PMI (Private Mortgage Insurance): Paid monthly as well for conventional loans with less than 20% down. This PM! will drop off once the Loan-To-Value (LTV) has reached 80% or lower.

Quitclaim Deed: a deed that conveys only the grantor’s rights or interest in a property, without stating the nature of the rights or interest and with no warranties of ownership.

Real Estate: Real estate is land, buildings on the land, and features of the land. Although residential real estate is most commonly talked about, the "real estate market" can be grouped into three broad categories based on its use: residential, commercial and industrial. Examples of residential real estate include undeveloped land, houses, condominiums, and townhomes; examples of commercial real estate are office buildings, warehouses, and retail store buildings; and examples of industrial real estate are factories, mines, and farms.

Commonly used terms...

REO (Real Estate Owned): Real estate owned, or REO, is the name given to foreclosed real estate that the bank has taken ownership of. Such properties end up in bank portfolios after unsuccessful sales at foreclosure auctions. A bank takes ownership of a foreclosed property when no bidder offers the amount they are looking for to cover the loan. These homes are sold as-is and do not typically have any disclosures or information about their history.

Short Sale: A short sale is when a property is sold for less than the amount of the mortgage left on it. Short sales require approval from a third party and could take a long time to close (some up to 150 days). These are also typically sold as-is, with the seller making no repairs or credits. For more information, visit: http://www.investopedia.com/mortgage/short-sale-property/?ad=dirN&qo=serpSearchTopBox&qsrc=1&o=40186&lgl=myfinance-layout-no-ads

Title: Real estate is provided a title that conveys ownership. Whenever an asset is sold, the title is transferred to the buyer. Essentially, the title is a history of the property-ownership, liens, and debts. All personal property that is sold must be free of liens and other debts before the property can be transferred to another party.

Title Insurance: Title insurance protects both buyers and lenders against loss or damage that can occur due to liens, encumbrances or defects in the title to a property. This differs from normal insurance in that title insurance protects the insured against the potential event that someone else from the past has a legal claim on the property. Common insurance policies, such as car insurance or health insurance, only protect against future events.

Title Search: an examination of the public records to determine the ownership and encumbrances affecting real property

Warranty Deed: deed that contains a covenant that the grantor will protect the grantee against any and all claims; usually contains covenants ensuring good title, freedom from encumbrances, and quiet enjoyment.