

REAL ESTATE GLOSSARY

Adjustable Rate Mortgage (ARM) – A loan for which the interest rate is subject to change on a periodic basis (i.e. every 1, 3, or 5 years).

Agent – Acts on behalf of another, representing that person's interests.

Amortization – A payment plan by which a loan is reduced through monthly payments of principal and interest.

Annual Percentage Rate (APR) – The annual cost of credit over the life of a loan including interest, service charges, points, loan fees, mortgage insurance and other items.

Appraisal – An evaluation to determine the price for which a property would sell in the current marketplace.

Appreciation – An increase in the value of a property.

Assessment – A tax levied on a strata property for improvements or a value placed on the worth of a property by the BC Assessment Authority for the purpose of taxation.

Assumption – A transaction allowing the buyer to assume responsibility for an existing loan instead of originating a new loan.

Balloon – A loan that has a series of monthly payments with the remaining balance due in a large lump sum payment at the end.

Broker – A real estate professional that has a higher level of training than an agent. A broker is the legal representative and/or manager of the office. The term may also refer to the brokerage under which an agent is licensed.

Buy Down – A subsidy (usually paid by a builder or developer) to reduce the monthly payments on a mortgage loan.

Buyer Representation – Historically, an agent represented only the seller in a real estate transaction (agents working with buyers were actually "sub-agents" of the seller's listing agent). Buyers today have the opportunity to be fully represented by an agent and brokerage firm.



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Cap – A limit to the amount an interest rate or a monthly payment can increase for an adjustable rate loan either during an adjustment period or over the life of the loan.

Closing – The completion of documents that transfer property from a seller to a buyer (also referred to as a settlement). Also used loosely to mean “reaching final agreement.”

Closing Costs – Charges paid at closing for obtaining a mortgage loan and transferring a real estate title.

Comparative Market Analysis (CMA) – A survey of attributes and selling prices of comparable houses listed for sale, recently sold or expired from the market; used to help determine correct pricing strategy for a seller’s property.

Conditions, Covenants and Restrictions – The standards that define how a property may be used and the protections the developer makes for the benefit of all owners in a subdivision.

Condominium (Condo) – Type of real estate ownership where the owner has title to a specific unit and shared interest in common areas either strata or cooperative.

Contingency – A condition in a contract that must be met for the contract to be binding.

Conventional Loan – A mortgage loan not insured by a government agency (such as CMHC).

Conversion Option – The ability to change a loan from an adjustable rate to a fixed rate.

Credit Report – A report ordered from a credit bureau that indicates if a borrower is a good credit risk.

Default – A breach of a mortgage contract (i.e., not making the required payments).

Down Payment – The difference between the sale price and the mortgage amount. A down payment is usually paid at closing.

Due-On-Sale – A clause in a mortgage contract requiring the borrower to pay the entire outstanding balance upon sale or transfer of the property.



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Earnest Money – A down payment sum deposited with the broker at the time an offer is presented to show that a potential purchaser is serious about buying.

Easement – The right-of-way granted to a person or company authorizing access to the owner's land; for example, a utility company may be granted an easement to install pipes or wires. An owner may voluntarily grant an easement, or can be ordered to grant one by a local jurisdiction.

Equity – The difference between the value of a home and what is owed on it.

Fiduciary Duties – Obligations owed by an agent/broker to a client (buyer or seller). In real estate, these include loyalty, obedience, full disclosure, skill, care, diligence, and accounting of all monies.

Finance Charge – The total cost, including all fees, points, and interest payments a borrower pays to obtain credit.

Fixed-Rate Mortgage – A mortgage with an interest rate that remains constant over the life of a loan.

Fixture – A recognizable object (such as a chandelier, kitchen cabinet, or light unit) that is permanently attached to property and belongs to the property when it is sold, unless otherwise specified in the sale agreement.

House Insurance – Protection against damage cause by fire, wind or other common hazards. Most lenders require borrowers to carry it in an amount at least equal to the mortgage.

Index – The interest rate or adjustment standard that determines the changes in monthly payments for an adjustable rate loan.

Joint Tenancy – A form of ownership in which the tenants own a property equally. If one dies, the other would inherit the entire property. This is the most common form of ownership for couples the other being Tenancy in Common.

Level Payment Mortgage – A mortgage with identical monthly payments over the life of the loan.



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Lien – Security claim on property until a debt is satisfied. Often seen in the form of a builders lien.

Listing Contract – Agreement whereby an owner engages a real estate company for a specified period to market a property for which (upon sale) the broker receives a commission.

Market Value – The price that is established by present economic conditions, location and general trends.

Mortgage Broker – A broker who represents numerous lenders and helps consumers find affordable mortgages, the broker charges a fee only if the consumer finds a loan.

Mortgage Commitment – A formal written communication by a lender, agreeing to make a mortgage loan on a specific property, specifying the loan amount, length of time and conditions.

Mortgage Loan – A contract in which the borrower's property is pledged as collateral. It is repaid in installments. The mortgagor (buyer) promises to repay principal and interest, keep the home insured, pay all taxes and keep the property in good condition.

Multiple Listing Service (MLS) – A system that provides to its members detailed information about properties for sale.

Origination Fee – A charge for the work involved in preparing and servicing a mortgage application (usually one percent of the loan amount).

P.I.T.I – Principal, interest, taxes, and insurance – the four major components of monthly housing payments.

Point – A one-time charge paid by a borrower at closing to receive a lower rate. Each point is one percent of the mortgage amount.

Pre-Approval – A mortgage approval obtained before negotiating a contract on a specific home.



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Prepayment – Payment of a debt prior to maturity.

Pre-Qualification – An informal estimate of how much financing a potential borrower might expect to obtain.

Principal – The amount borrowed, excluding interest and other charges.

Private Mortgage Insurance (PMI) – Insurance required on most conventional loans with less than 20 percent down payment to protect the lender against default.

Possession Date – The day on which a property's new owner is actually entitled to occupy that property.

Property Survey – A survey to determine the boundaries of your property. The cost depends on the complexity of the survey.

Property Transfer Tax – The fee charged by the provincial government to help maintain the Land Titles Office which is currently 1% of the first \$200,000 and 2% of the remainder of the purchase price of a home.

R-Value – The resistance of insulation material (including windows) to heat passing through it. The higher the number, the greater the insulating value.

Realtor® – Registered trade name which may be used only by members of provincial and local real estate boards affiliated with (and subscribing to the Code of Ethics of) the Canadian Real Estate Association.

Sales Contract – An agreement between a buyer and seller that should be explain, in detail, exactly what the purchase includes, if there are any warranties, when the buyer can move in, what the closing costs are, and what recourse the parties have if the contract is not fulfilled or if the buyer cannot obtain a mortgage commitment at the agreed-upon terms.

Tenancy in Common – A form of ownership in which the tenants own separate but equal parts. To inherit the property, a surviving tenant would either have to be mentioned in the will or, in the absence of a will, be eligible through state inheritance laws.



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Title – Evidence (usually in the form of a certificate or deed) of a person’s legal right to ownership of a property. The original copy is held at the Land Titles Office.

Walk-Through – A final inspection of a home before title transfer to search for problems that need to be corrected before ownership changes. Usually completed on new construction projects.

Zoning – Regulations established by local governments regarding the location and use for any given piece of property within a specific area.



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