



THE TERMS to Know Before Closing



Appraisal Fee

Cost for professional evaluation of the property's market value based on comparable sales, improvements of the subject property and location. (Fee usually set by the appraiser)

Commitment

A document issued by a title insurance agency that contains the conditions and requirements under which a policy of title insurance can be issued.

Credit Report

A report on the credit history of a loan applicant.

Deed

A document which conveys title to real property.

Deed of Trust

A document which secures a loan on a specific piece of real estate, through conveyance to a trustee, with power of sale which must be recorded in the official public records of the county in which the property securing the loan is situated.

Earnest Money/Deposit

A deposit of funds by the purchaser of a piece of real estate as evidence of good faith, as required by the real estate sales contract.

Escrow

A method of closing a real estate transaction in which all required documents and funds are placed with an escrow company for processing, closing and disbursement.

Escrow Fee

A fee charged by the settlement service provider for escrow/closing services.

Filing Fees/Recording Fees

Fees for recording necessary documents in Public Records. The fee is determined by the number of pages filed per document, and is charged by the county clerk.

Hazard Insurance

Fire and extended coverage casualty insurance protects property and contents in case of loss; required by lender in an amount generally equal to the amount of the loan.

Inspections

An examination of the property for various purposes such as termite inspections, mechanical inspections and roof inspections — usually to satisfy the lender, hazard insurance company and buyer. Lender may also require follow-up inspections regarding required repairs.





Lender Title Policy

A title insurance policy insuring a lender, or beneficiary under a deed of trust, against loss caused by invalidity or unenforceability of a lien, or loss of priority of the deed of trust.

Loan Application Fee

Paid to lender in connection with the origination of a loan and varies by lender.

Lien

A voluntary (as in case of a mortgage), or involuntary (as in case of property taxes), charge or claim imposed against real property.

Owner Title Policy

A title insurance policy insuring an owner of real property against claims of others impacting the owner's title to the property. Exceptions or exclusions are detailed in the policy.

Origination Fee

A fee the buyer pays a lender to originate a new loan.

Prepayment Penalty

A fee that may be charged by a lender for prepayment of a loan balance prior to maturity of the loan.

PMI Premium/MIP Premium

(PMI - private mortgage insurance - conventional loans, MIP - mortgage insurance premium - FHA loans) Insures lenders against loss in the event of default by the borrower in payment of the loan.

Prorated Taxes

Taxes are prorated with the Seller paying taxes from January 1st through the closing date. Figures are usually based on actual taxes owed the prior year, without any exemptions.

Agent Commission

An amount paid to the Real Estate Agent as compensation for their services per the real estate sales contract.

Restrictions

A set of limitations on the use of property imposed or created by deeds or other documents in the chain of title. A restriction, for example, may prohibit the placement of a trailer or the construction of a commercial structure on the property.

Survey

A depiction of the real property by a scaled drawing reflecting all improvements situated on the property, accompanied by written legal descriptions, which may be a lot and block description or a metes and bounds description. A survey should reflect all easements, encroachments, or other items under which another party may claim an interest or right to the property.

Tax Certificate

Report issued by taxing authorities showing the current year taxes, the last year the taxes were paid and any delinquencies. Lender will require delinquent taxes to be paid prior to or at closing. These numbers are also used for tax proration purposes.

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