

- **Preliminary report**

A preliminary report reveals any issues with a title that need to be dealt with by the seller in order to deliver a clear title. It gives details such as ownership history, liens, and easements. The title company gathers this report by searching existing property records at the county recorder's office.

- **Probate sale**

A probate sale happens when a homeowner dies without writing a will or leaving a property to someone. In such situations, the probate court would authorize an estate attorney, or other representative, to hire a real estate agent to sell the home.

The total process will usually be a bit more complicated and therefore will take more time than a conventional sale.

- **Proof of funds**

When you make an offer, sellers will require you to submit proof of funds. If you're buying a house with a mortgage, it shows them that you have the cash available for your down payment and closing costs. If you're paying all cash, your proof of funds shows you have the money.

The following documents qualify as proof of funds:

- Original or online bank statements with bank letterhead
- Copy of a money market account balance with bank's logo or letterhead
- Certified financial statements, such as an income or cash flow statement that's been signed off on by an accountant
- An open equity line of credit

- **Purchase and sale agreement (PSA)**

A purchase and sale agreement is commonly referred to a written contract between the buyer and seller, which outlines the terms of the parties to sell and purchase real property.

When a home is "under contract" it usually signifies that the Buyer and Seller have formalized their commitment to sell and purchase the real property.

- **Real estate broker**

A real estate broker is a real estate agent who has passed a state broker's exam and met a minimum number of transactions. These brokers can work on their own or hire their own agents.

- **REALTOR®**

An actively licensed real estate agent and REALTOR® are often used interchangeably, although not every real estate agent is a REALTOR®. A REALTOR® is a member of the National Association of REALTORS® (NAR).

A REALTOR® promises to uphold the Code of Ethics of the association and to hold each other accountable for when serving the public, customers, clients, and each other, with a high standard of practice and care.

- **Seller disclosure**

A seller's disclosure is a disclosure by the seller of information about the property, or which could affect a buyer's decision to purchase the property, all of which to the best of the seller's knowledge.

A seller must also indicate items which are not specific to the property itself but related to a person's enjoyment of the property, such as pest problems, property line disputes, knowledge of major construction projects in the area, military base related noises or activities, association related assessments or legal issues, unusual odors caused by a nearby factory, or even recent deaths on the property as permitted by law.

- **Title search**

A title search examines public records for the history of the home, including sales, purchases, and tax and other types of liens.

Generally, a title examiner will conduct a search using title plants, and sometimes the county records, to see who is listed as the record owner of the property. Such information, along with any liens or encumbrances that are recorded against the property, will be listed in the Preliminary Report for the parties to review prior to the close of escrow.

- **Trust sale**

A trust sale means that the home is being sold by a trustee of a living trust – and not a private party. Often this is because the original homeowner has passed away or has placed their assets in a living trust.

The trustee may not be as emotionally attached to the property as a traditional owner, which could translate to them accepting a less attractive offer as the trustee may prefer to offload the property.

- **Homeowner's association (HOA)**

A homeowner's association is a private association that manages a planned community or condominium. When you purchase a property that is managed by an HOA, you agree to abide by the HOA's rules and pay its monthly or annually HOA dues. If you fail to pay and/or comply, they often have the ability to file a lien against the property and/or foreclose on the property.

- **Home sale contingency**

A home sale contingency is for a buyer to indicate to a seller that part of their condition to purchase the seller's property relies on the buyer's ability to finalize a close on their current property. This is often negotiated with a clause in a contract or with an addendum to a contract. An example of how such a contingency can be used would be if a buyer needs to sell their property in order to have the down payment required on the purchase of the new property or would rather use their sale proceeds instead of their savings to make the down payment.

Depending on the market, it could hamper negotiations with a seller when a contingency is part of the picture.

- **Inspection**

An inspection happens when buyers pay a licensed professional inspector to visit the home and prepare a report on its condition and any needed repairs. The inspection often happens as part of the due diligence period, so buyers can fully assess if they want to buy a particular home as is or ask the seller to either complete or pay for certain repairs.

- **Interest**

This is the cost of borrowing money for a home. Interest is combined with principal to determine monthly mortgage payments. The longer a mortgage is, the more you will pay in interest when you have finally paid off the loan.

- **Land lease**

Traditionally, when you purchase a home, you own the home and the land the property is built on. There are some circumstances that involve a land lease, which means you would own the home while paying rent to the landowner for the land.

- **Mortgage broker**

The broker is an individual or company that is responsible for taking care of all aspects of the deal between borrowers and lenders, whether that be originating the loan or placing it with a funding source such as a bank.

- **Mortgage pre-approval letter**

Getting a mortgage pre-approval letter is important because it gives home buyers an idea of what they can afford. A mortgage pre-approval letter is issued by the lender and identifies the terms, loan type and loan amount the buyer qualifies for after checking the buyer's debt-to-income ratios along with cash on hand and credit history.

Many sellers or their agents require a mortgage letter with any home offer that isn't all-cash since it acts as proof the buyer has been qualified to get financing.

- **Multiple listing service (or MLS)**

An MLS is a database that allows real estate agent and broker members to access and add information about properties for sale in an area. When a home is listed for sale, it gets logged into the local MLS by a listing agent. Buyer's agents often check the MLS to see what's on the market and what similar homes have sold for. According to Inman.com, there are over 600 MLS organizations in the United States.

- **Natural hazards disclosure (NHD) report**

A report required by most states that discloses if a property is in an area that has a higher risk of natural hazards. The report is typically paid for by the seller and given to the buyer during escrow.

The following natural hazard zones are covered in a NHD report:

- Special flood hazard area
- Area of potential flooding
- Very high fire hazard severity zone
- Wildland area that may contain substantial forest fire risk and hazards
- Earthquake fault zone
- Seismic hazard zone

- **Offer/counteroffer**

Buyers make a formal offer on the home they want to purchase. The offer can be the full list price, or what you and your agent deem a fair market value.

The buyer's agent puts the offer in writing, asks you to sign it, and then submits it to the seller's agent. The seller might immediately accept it, in which case it becomes the parties' purchase contract, or may make what's known as a counteroffer.

GLOSSARY OF TERMS

All you're looking for are some straightforward answers with no jargon. That's why we've created this simple list of terms.

- **Adjustable-rate mortgage (ARM)**

There are two types of conventional loans: the fixed-rate and the adjustable-rate mortgage. In an adjustable-rate mortgage, the interest rate can change over the course of the loan at five-, seven-, or ten-year intervals. For homeowners who plan to stay in their home for more than a few years, this is a risky loan as rates can suddenly skyrocket depending on market conditions.

- **Appraisal**

An appraisal is required to gather the estimated value of a piece of real estate. During the home sale, the mortgage lender sends out an appraiser to get a professional opinion of the value of the property. This helps the lender decide if the property is worth the amount of the loan the potential buyer is seeking.

- **As-is**

A property marketed in "as is" condition usually indicates that the seller is unwilling to perform most if not all repairs. It could also mean that it is priced "as is", which is typically lower than market pricing in the area.

- **Buyer's agent/listing agent**

A buyer's agent, also known as a selling agent, is a licensed real estate professional whose job is to locate a buyer's next property, represent their interests by negotiating on behalf of that buyer to obtain the best price and purchasing scenario for that buyer as possible. This agent is a fiduciary for the buyer.

The listing agent, also known as the seller's agent, is a licensed real estate professional whose job is to market the seller's property, and to represent the seller's best interest by negotiating on behalf of the seller to secure the best price and selling scenario as possible. This agent is a fiduciary for the seller.

- **Closing**

Closing is when the home sale is considered final, which typically includes all parties' signatures on all required documents, all monies conveyed, and when a lender is involved, with full lender's approval. For some markets across the nation, recording the deed with the county clerk's office is the ultimate and final step of closing. Once all these items are completed, then a buyer's access to the property is then provided, and the buyer is considered the new homeowner.

- **Days on market (DOM)**

DOM is defined as the number of days from the date on which the property is listed for sale on the local real estate brokers' multiple listing service (MLS) to the date when the seller has signed a contract for the sale of the property with the buyer.

A related metric is the average DOM for homes sold in a market during a specified period. A low average DOM indicates a strong market that favors sellers. A high average DOM signals a weak market that favors buyers. Seasonality can also be a factor.

- **Equity**

Equity is ownership. In homeownership, equity refers to how much of your home you actually own—meaning how much of the principal you've paid off. The more equity you have, the more financial flexibility you have, as you can refinance against whatever equity you've built. Put another way, equity is the difference between the fair market value of the home and the unpaid balance of the mortgage. If you have a \$200,000 home, and you still owe \$150,000 on it, you have \$50,000 in equity.

- **Escrow**

Escrow is an account that the lender sets up that receives monthly payments from the buyer. The escrow holder is the agent and depository (impartial third-party) who collects the money, written instruments, documents, personal property, or other things of value to be held until the happening of specified events or the performance of described conditions, usually set forth in mutual, written instructions from the parties.

- **Fixed rate mortgage**

With fixed rate mortgages, your interest rate stays the same for the duration of the loan. They are often available as 10, 15, 20 & 30-year loans with the most popular being 15- and 30-year