



Common Real Estate Terms

Addendum - A form describing a change or addition to the Purchase & Sale Agreement. Must be signed by both seller and buyer to be legally binding.

Appraisal - In a real estate transaction, the appraisal is a determination of the value of a property. The appraisal is required by the lender and prepared by the lender's choice of an objective and impartial professional appraiser. The appraisal may not be the same amount as the agreed upon selling price. If the appraised value is lower than the agreed selling price, the lender will loan only the appraised amount.

AREC pamphlet - (Alaska Real Estate Commission Consumer Pamphlet) Prior to showing property for sale or rent, a real estate licensee is required by law to disclose their relationship with a buyer. This can include Specific Assistance without Representation, solely representing a buyer or assisting both seller and buyer in a neutral capacity. The AREC is NOT a contract, it is simply a disclosure statement.

Closing - This is where the term "closing table" comes into play, and the process is also known as "settlement." You, your representative and the escrow agent finalize the purchase by signing documents and paying for your closing costs/downpayment. This is the last step of a transaction before the sale records.

Closing Costs - All the additional expenses incurred in financing and purchasing the home. These expenses typically include attorney's fees, a loan origination fee, and other miscellaneous charges. See GFE.

CMA - (Comparative Market Analysis) A determination of a home's market value for the purpose of deciding on a fair asking price. Real estate licensees compile the CMA by comparing the subject house to those that have recently sold within close proximity.

Comps - Properties that are comparable to the property being analyzed.

Contingency - A section of the purchase agreement that specifies certain conditions that must be met in order for the sale to proceed. Common contingencies in purchase agreements include those for inspections and loan approval.

Counter Offer - A form that requests the addition or elimination of parts of the original purchase agreement.

Disclosures - Information about the home that a seller must provide to a buyer. This is the history of the property as the seller knows it to be. It provides the buyer with information regarding the condition of the property and any repairs or modifications performed.

Deed - The deed is the legal document that provides proof of the transfer of ownership as real property.

Down Payment - The down payment is the percentage of the purchase price that the buyer pays in cash.

Due Diligence - The responsibility of the buyer to exercise the appropriate care before closing on the purchase. Due diligence includes verifying all of the seller's representations and uncovering any other pertinent facts that have not been disclosed but have a bearing on whether or not you want to purchase the property.

Earnest Money Deposit - The earnest money deposit is money provided by the buyers to the seller to prove their earnest intent to purchase the property. The amount varies (typically around 1% of the sales price,) and the check is typically submitted with the purchase & sale agreement. If the sale goes through, the earnest money deposit is applied to the down payment.

Escrow - The escrow process assures that the purchase funds are released and that the transfer of the property is completed. The escrow company is a neutral third party to the process and uses the purchase agreement and other associated documents as instructions.

Fiduciary Duty - The broker under which your real estate licensee works is your fiduciary. They are held to specific duties, outlined by state law, to their principal (you.) Some of these duties include disclosure, confidentiality, reasonable care and diligence and loyalty.

Final Walk-Through - The buyer is allowed one last chance to walk through the property prior to it closing and recording. This inspection is to ensure that the home is in the same condition as when the offer was tendered.

GFE - The Good Faith Estimate (GFE) is a form provided to borrowers by lenders. It is required by law and allows borrowers to compare the rates and terms of multiple lenders when shopping for a home loan. The GFE must include a list of all fees associated with the mortgage loan and it must be provided to the borrower within three days of loan application.

Home Inspection - The buyer's right to have a licensed professional inspect the property and provide a written report outlining any health/life safety and significant repairs. (see *What to Expect at a Home Inspection* handout provided by Glacier City Realty)

HUD 1 – This is the settlement statement provided to the homebuyer by the Title Company. The HUD 1 details all fees charged by the lender.

Mortgage - A legal document that pledges the property to the lender as security for the loan to purchase the property.

Mortgage Insurance - An insurance policy that compensates the lender in the event a borrower defaults on their loan.

Offer - A presentation of a bid on a property for sale.

Pre-Qualification - The process of determining if a borrower qualifies for a loan and the approximate amount of money they may qualify to receive.

Purchase & Sale Agreement - A legally binding contract between a seller and buyer outlining the details of the real estate transaction. Includes agreed upon purchase price, contingencies, closing costs, timeline, etc.

Resale Certificate/HOA Docs - Homeowner's Association Documents. When purchasing a condo or a home in a managed community, you have a right to view recent HOA meeting minutes, a copy of their current budget, Covenants Conditions & Restrictions (CC&R's) and other documents. A buyer has 5 days from receiving the resale certificate to review and terminate contract.

Title Report - The title report is a document that ensures the property being conveyed is legally owned by the seller(s) and that no other party owns any part of it or has any claims, such as liens, against it.