

REAL ESTATE LANGUAGE & EXPLANATIONS

As with most business, real estate has its own specific language and slang terminology. This section is designed to teach you the most commonly used lingo. Knowing these terms will make it easier for you to understand what is being discussed. Read this section thoroughly so that you know what the heck I am talking about! When you read a term that you do not understand, refer to this section.

ABSTRACT OF TITLE

The compilation of the recorded documents relating to a parcel of land that lists rights, liabilities (such as easements, liens, mortgages), and also transfers title. An abstract shows the chain of title from the beginning and is still used in some states, but giving way to the use of title insurance.

ACCRUED INTEREST

Accumulated interest earned or due, but not yet paid. Since interest is paid in arrears, accrued interest does not necessarily indicate a delinquency in payment.

ADJUSTABLE RATE MORTGAGE

A mortgage in which the interest rate varies according to chosen indexes and/or over periods of time.

AMORTIZE

To determine, on the basis of time and interest rate, how much a payment must be (including principal and interest) to pay off a loan.

AND/OR ASSIGNS

When the words "and/or Assigns" appear following the name of an individual or entity entering an agreement, another individual or entity can assume their responsibility. When you fill out a contract to purchase a property, place your name "and/or Assigns" in the space provided for the buyer's name, for example, John Doe and/or Assigns. This will allow you to assign the contract to another buyer who can close the deal in your place. This is important if you intend to "wholesale" the property.

APPRAISAL

An opinion of value made by an appraiser. This opinion is based on research gathered from the most recent sales, upgrades the subject property might have such as a pool, fireplace, air/heat, newer roof, etc. Lenders will generally loan a percentage of the lower of either (a) the appraised amount, or (b) the sales price.

APPRAISER

A neutral party who is trained and educated in the methods of determining the value of a property through analysis of various factors which determine said value.

ARREARAGES

Back payments due to the lienholder. When a homeowner is in arrears, the lienholder can foreclose. If your monthly payment is \$525 and you are six payments late, you are \$3,150 in arrears. You will also owe late fees and/or attorneys' fees.

AS-IS, WHERE-IS

The condition of real property in its present condition, including defects, being accepted by a buyer or tenant.

ASSET

Everything owned by an individual or corporation which can be used for payment of debt.

ASSIGNEE

The person to whom you assign a contract.

ASSIGNOR

The person assigning a contract.

ASSIGNMENT

A transfer of one's right of title to another. Common assignments are leases, mortgages, deeds of trust, bonds, and other legal instruments.

BALLOON MORTGAGE

A mortgage providing for specific payments at stated regular intervals with one final payment considerably more than any of the periodic payments.

BANK OWNED

When a lending institution gains title to a property through the foreclosure sale, it is called a "bank owned" or "REO" property. REO stands for real estate owned.

BANKRUPTCY

Proceedings under federal statutes to relieve a debtor of insurmountable debt. The debtor's property is distributed among the creditors as full satisfaction of the debts.

BLANKET MORTGAGE

A mortgage covering more than one piece of real property.

BROKER

One who is licensed by the state to carry on business of dealing with real estate.

BUYER'S BROKER

The broker who represents the buyer in a real estate transaction.

CAPITAL

Money used as "start-up money" to create income from investments in a business or income property.

CAPITAL ASSETS

Assets of a permanent nature used to produce income, such as buildings, equipment, land, etc.

CAPITAL GAINS

The profit between cost and selling price of capital assets, less deductible expenses.

CASH COW

Slang term for an income producing property.

CASH FLOW

Something you want lots of. The actual cash an investor will receive on an investment property after deduction of expenses and debt service.

CERTIFICATE OF TITLE

A written opinion of vested title (as stated in the abstract) executed by the examining attorney. This is valid in areas where these searches are allowed.

CLOSING COSTS

Costs that occur when real property transfers ownership. Expenses incidental to the sale such as title insurance fees, appraisal fees, loan fees, etc.

CLOSING DATE

The predetermined date the transaction of buying and selling real estate will take place.

COMMISSION

The amount, usually a percentage of the purchase price, paid to the broker or agent for services rendered.

COMPLAINT

The first pleading filed and served against a Defendant (party being sued) stating the reason for the suit and the requested remedy.

COMPS

The abbreviated version of comparable market analysis. A comparable market analysis is the study of comparing a subject property with properties similar in size, bedrooms and bathrooms, pool, etc. located in the same area. Before you purchase a property, research the comparable sales in the area to determine what the subject property is worth. If the last 10 sales in the area were \$65,000, then the subject house will be worth the same when repaired. If you cannot buy it, fix it up and turn a profit within the confines of the \$65,000 market value, you would not purchase this particular property. Please note that the "asking prices" for homes in the area are not what we base our comps on. Comps are only based on recent sales in the area during the previous six months.

CONCESSIONS

The items each party is willing to give up in order to make a deal work.

CONSIDERATION

Something of value which influences a party to enter into a contract.

CONTRACT FOR SALE AND PURCHASE

The legal instrument signed by buyer and seller of real property agreeing to transfer title of said property for a specific amount of money on a specified date.

CONTINGENT

Conditioned upon the occurrence of some future event which in itself is uncertain or questionable.

CONVENTIONAL SALE

Sale of a property that does not include the use of any creative financing.

COUNTEROFFER

A response to an unaccepted offer. A counteroffer contains altered price and/or terms and is returned to the party making the offer for acceptance.

COURTHOUSE STEPS

A term used when referring to the public auction conducted during the final step in the foreclosure process. At the county courthouse, usually in a foyer or hallway, a public auction is conducted in which the lienholders bid their judgment amount to gain title. The general public, including investors are free to bid. They are bidding "at the courthouse steps."

CREATIVE FINANCING

Any method of financing property that goes beyond traditional lending. Something you will need to do as an investor.

D/B/A

"Doing Business As." Used when referring to the trade name given when conducting business under a name other than the corporate name or individual name. For example, John Smith d/b/a Smith Investments.

DEBT TO VALUE

Basically, the same definition as loan to value, with the difference being the "debt." This means that a debt against a property of \$65,000 on a house worth \$100,000, equals a 65% debt to value. Note that the loan to value could be 55%, which would mean that you are in debt \$10,000 more than you were loaned.

DEED

One of many instruments used to convey title in real property upon sale, for example, quitclaim deed, deed of trust, and warranty deed.

DEFAULT

Failure or omission to perform a legal duty. For example, failure to make mortgage payments results in a default of the mortgage since you are legally obligated to make the payments.

DEED OF TRUST

The legal instrument used in several states instead of a mortgage. Real property is transferred to a trustee by the borrower, known as the trustor, on behalf of the lender, known as the beneficiary, and transferred to the borrower upon payment in full.

DEFENDANT

The party against whom a civil or legal action is brought in a lawsuit.

DOWN PAYMENT

Portion of the sales price paid by the buyer out of his own funds as opposed to that portion of the purchase price which is financed.

DOUBLE CLOSING

This occurs when you intend to wholesale a property and are not able to assign your contract. Instead, you sign a second contract with the person to whom you are wholesaling the property. You would purchase the property from the seller and immediately after closing walk into a second closing room to sell the property to your buyer. The closing agent handling the double closing can use your buyer's funds to allow you to close the first transaction.

DUE-ON-SALE

A clause found in most mortgages that indicates that if you deed your property to someone who has not been approved by the lender, the lender can "call" the note, requiring the principal balance, including any arrearages, to be paid in full.

EARNEST MONEY DEPOSIT

The deposit or down payment given by a buyer to a seller with an offer to purchase real estate. The earnest money deposit shows good faith to act upon the offer.

ENCUMBER

A claim, lien, charge, or liability attached to and binding on real property. Examples of an encumbrance are mortgages, judgments, liens, mechanic's liens, easements, etc.

ENTREPRENEUR

You. A person who is willing to take the risk of winning or losing as opposed to a salaried employee.

ESCROW

All instruments necessary to a sale, including money, held in trust by a neutral third party.

ESTATE

The ownership interest one has in a property such as real estate, a life estate, decedent's estate, etc.

EQUITY

The dollar amount between what is owed on a property and what it is worth. A property worth \$100,000 with a \$65,000 mortgage against it has \$35,000 in equity. Likewise, a property with a mortgage balance of \$100,000 and a value of \$100,000 has no equity.

EQUITY LINE OF CREDIT

A combination of a line of credit and an equity loan. A maximum loan amount is established based on equity and credit, and a mortgage is recorded against the property; then you have the right to borrow, as needed, up to the

amount of the mortgage. Many new investors use credit lines to get started in this business.

EQUITY LOAN

A loan based upon the equity of a property as opposed to the borrower's credit.

EVICTION

A court action used to remove a tenant from possession of a property.

EXECUTOR

The person specified in a will to carry out the decedent's wishes.

EXPENSES

The total cost of rehab, maintenance, insurance, closing costs, etc. deducted from the gross amount of a property sale.

FACE VALUE

The full amount for which a note has been written.

FAIR MARKET VALUE

A price that would be acceptable to a buyer and a seller, arrived upon by the recent comparable sales in the area.

FEDERAL TAX LIEN

A lien attached to property for nonpayment of a federal tax (estate or income). What makes a federal tax lien different from other liens, is that it is not automatically wiped out at the foreclosure sale.

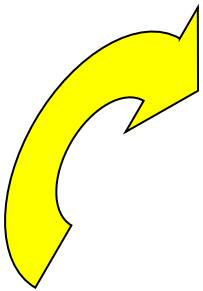
FEE SIMPLE

Commonly, a synonym for ownership. The ownership of real property without reservation or restriction and can be left by a will or inherited.

FIXED RATE MORTGAGE

A mortgage having a fixed interest rate throughout its term.

FLIP or FLIPPING CONTRACTS



Most investor refer to this as **wholesaling**. Flip is the term used by the Investors. The banks do not like the word, flip, as they feel it sounds shady. As a new investor, please use the current terminology ... wholesaling. To assign a contract to someone who will close in your place, after having added your fee to the contract amount. You will tie up the property, assign the contract to someone else, make the spread in the middle, while never having owned the property. You "flipped" or 'wholesaled" the property. Many investors wholesale because it is a paper shuffle that requires the least investment.

FORBEARANCE AGREEMENT

A forbearance agreement is a fancy word for a payment plan. When a property owner is in arrears, the bank may agree to accept part of the arrearages now, and the balance in a specified payment plan. A forbearance agreement that is adhered to will stop the foreclosure preceding. If a homeowner misses one payment during this repayment period, the bank will usually resume the foreclosure suit where it left off, and no further payments will be accepted.

FORECLOSURE

The legal proceeding initiated to eliminate all rights, title, and interest of the owners of property in order to sell the property to pay off a lien against it.

FSBO

For Sale By Owner. Pronounced "fizz bow."

GENERAL PARTNER

A member of a partnership who has authority to share in the profits and losses. The general partner generally provides all management skills and is responsible for the daily running of the partnership. A partnership must have at least one general partner as well as limited partners.

GIFT LETTER

A letter to a lender stating that a gift of money has been given to a buyer to purchase property. The relationship to the buyer is stated, as well as the gift amount.

GOOD FAITH

Something done with good intentions without knowledge of fraudulent circumstances or need to inquire further. A lot of deals are agreed upon in good faith, just make sure to put it in writing as soon as possible.

HANDYMAN SPECIAL

A property that requires rehab. Such properties sell "under-market value" because they need repairs. As long as most of the damage is cosmetic, go

for it. A few thousand spent in repairs can put many thousands more in your pocket.

HARD MONEY LENDER

Investors who loan money against a property based strictly on the equity it holds. They usually charge more points and a higher interest rate than conventional lenders.

IMPROVEMENT

Building or other structures that become part of the land.

INSOLVENT

Inability to meet ones debts as they come due or within a reasonable time thereafter.

INTEREST

The portion of a payment, not including principal, which represents the cost of borrowing the money. The compensation allowed by law or fixed by the statutes for the borrowed money.

INTEREST ONLY LOAN

A loan in which the payments do not reduce the principal balance, but pay only the interest portion.

INTEREST RATE

An amount a borrower must repay on a loan in addition to the principle amount. This is the money the bank receives for giving you the loan.

JOINTLY AND SEVERALLY

A legal term which allows the creditor to sue all parties who have entered into a contract either jointly (all together) or severally (individually).

JOINT VENTURE

Two or more individuals who combine their talents on a single project or business transaction.

JUDGMENT

A decision of a court of law. Money judgments, when recorded, become a lien on real property of the defendant.

LAND TRUST

A trust created to hold title to real property. It protects title against legal actions and does not openly disclose the identity of the actual owners of the property.

LETTER OF INTENT

A formal letter that states that a buyer is interested in a specific property. It is not an offer and does not legally obligate you.

LIENHOLDER

The individual or institution holding a lien.

LIMITED PARTNER

The partner in a partnership who contributes capital, but is not liable for any debts. The limited partner cannot manage or control the partnership. A

partnership typically has general partners to conduct the business and limited partners to raise the capital.

LISTING

The agreement between the seller of a property and the real estate broker to sell the property. The broker agrees to secure a buyer or tenant for a property in return for a fee or commission.

LISTING BROKER

The broker who secures the listing on a property.

LOAN ORIGATION FEE

A one-time setup fee charged by the lender.

LOAN PACKAGE

A complete file of all necessary items a lender would need to decide whether to give or decline a loan. The file would include, but not be limited to, credit reports, bank statements, appraisals, income tax returns, loan application, employment letters, etc.

LTV

"Loan To Value." If you are selling a house worth \$100,000 and your buyers are borrowing \$75,000, that creates a 75% loan to value. A lender will give the buyers the highest loan to value based on their credit score.

MAILBOX MONEY

When you hold a second mortgage or own rental properties, the monthly payments you receive through the mail are called "mailbox money." You walk to the mailbox and there is your money.

MARKETABLE TITLE

A title that is free and clear of liens and encumbrances.

MLS

"Multiple Listing Service." A real estate service whereby members exchange their listings so that each may have an opportunity to sell the properties.

MORTGAGE

The instrument used to pledge real property as security for the payment of a debt. The borrower retains possession and use of the property.

MORTGAGE BROKER

The individual who arranges a loan for a fee between a borrower and a lender. This person handles the necessary applications for the borrower and may process the loan for the lender.

MORTGAGEE

The party who holds a mortgage. A bank or moneylending institution, often referred to as a lienholder.

MORTGAGE LENDER

A lender who loans money directly to a borrower. A bank is an example of a mortgage lender.

MORTGAGOR

The party who takes out a mortgage. This person is liable under the terms and conditions of the mortgage.

NEGOTIATE

The back and forth discussion between buyer and seller concerning price and terms of a property in order to reach an agreement.

NET PROFIT

The amount of profit left after all expenses are backed out.

NOTE

Legal evidence of a debt that obligates the signer to pay a named person or bearer a definite sum of money at a specified date for a specified amount of time.

OFFER

A presentation of a proposal, including price and terms, submitted to an owner of real property for acceptance in order to create a contract for sale and purchase.

OPM

"Other People's Money." This is money that you want to use in as many transactions as possible.

OPTION

A legal document giving a party the right to purchase or lease a property for an agreed upon price and terms within a specific time-frame.

OWNER'S TITLE POLICY

Title insurance for the owner of a property, not the lienholder.

PITI

Principal, Interest, Taxes & Insurance. PITI is used when referring to a mortgage payment and what the payment includes.

PLAINTIFF

The party bringing civil or legal action against another in a lawsuit.

PMI

"Private Mortgage Insurance" is the insurance issued by private mortgage insurers, insuring the mortgage debt against a property. PMI insures the lender against defaulting borrowers. This insurance is required by many lenders on loans exceeding 80% LTV. PMI is paid by the borrower and is either paid at closing or included in the borrower's monthly mortgage payment. PMI does not benefit the borrower.

PMM

"Purchase Money Mortgage" usually describes the mortgage held by an owner/seller allowing the buyer/borrower to purchase the property. This loan may be for all or a portion of the purchase price, and may be a first, second, or further mortgage.

POINTS

Fees charged by a mortgage broker or lender to pay commission or discount the interest rate of a loan. One point is equal to 1% of the loan amount. For example, 3 points charged on a \$50,000 loan would cost \$1,500.

POWER OF ATTORNEY

An authorization in which one person gives another the power to act on behalf of the former for a specific transaction.

PREPAYMENT PENALTY

A penalty imposed on a note or mortgage when a loan is paid before it is due. Some conventional lenders have what is called a "three, two, one." If you pay off the loan in the first year, you pay three points, the second year two points, and the third year one point. After the third year, there is no more penalty. It is important to check for prepayment penalties.

PRINCIPAL

The amount of a debt, not including interest. Also, the face value of the debt.

PROBATE

The time period in which the validity of a will is determined. Any action over which probate court has jurisdiction.

PROBATE SALE

Sale of property from an estate. Must be done under supervision of the probate court.

PROMISSORY NOTE

A written promise, signed by the maker, agreeing to pay a specified amount over a specified period of time, usually including interest.

PRO SE

To represent yourself. For example, if you file foreclosure proceedings representing yourself, you will be filing Pro Se.

QUITCLAIM DEED

A deed that transfers interest, if any, in a property. Many divorcing couples quitclaim the property to the other, mistakenly believing this releases him/her from the obligation of the debt as well. It only gives away the interest the party may have.

REAL PROPERTY

Land and anything permanently affixed to the land, such as buildings, fences, etc. Also, those things attached to the building, such as light fixtures, plumbing, and other things which would be personal property if not attached.

REAL ESTATE AGENT

A salesperson associated with a broker who acts on behalf of the broker.

REALTOR

Title given to a real estate broker who is a member of a board associated with National Association of Real Estate Boards.

REHAB

Repairs and upgrading necessary to bring a property to good marketable condition.

REINSTATEMENT

The payment of arrearages to bring a note or mortgage to good standing.

R.E.O.

"Real Estate Owned" is the term used when referring to properties owned by a lending institution. The REO department of the institution handles the sale of these properties or refers the properties to a real estate office for sale.

SATISFACTION OF ...

The recorded document which states a debt is "paid in full." When a mortgage or lien becomes paid in full, a Satisfaction is recorded to show that this debt is no longer a lien against the property.

SECONDARY MORTGAGE MARKET

The market in which first mortgages or trust deeds are bought and sold to insurance companies, banks, government agencies, and other mortgagees,

usually at a discount. This market enables lenders to sell their first mortgages, receiving a fresh supply of money for new loans. Not to be confused with second mortgages.

SHORT SALE®

Negotiating with the bank to accept less than what is owed as the full payoff on a property. For example, you find a distressed property worth \$200,000 and it has a mortgage balance of \$200,000. With no equity there is not much you can do with the property even though the homeowners may be motivated. By calling the bank and negotiating a short sale, the bank may accept \$100,000 as full payment. You can now purchase a \$200,000 property for \$100,000.

SUBLEASE

When a lessee leases the property to another.

SURVEY

The measurement and boundaries of a parcel of land prepared by a licensed surveyor.

SURVIVORSHIP

Gaining interest in a property by outliving another who had the interest.

TAX CERTIFICATES

Bonds sold to recoup unpaid property taxes by the county. Generally, a winning tax certificate bidder receives interest on the certificate purchased. The winning bid goes to the person willing to receive the lowest interest on

the certificate. For example, the bidding could start with a \$2,000 tax certificate at 18% interest. Bidders bid backward. The winning bidder may be someone who is willing to make 5% interest on the \$2,000 tax certificate. They are redeemable at face value plus interest.

TAX ROLL

The tax roll for a particular piece of real estate gives the public information, such as the names of the owners (or those receiving the tax bill), tax assessed value, tax amount, and the legal description. The tax roll may include past purchase prices. Tax rolls are available at the county courthouse or county tax assessor's office.

TENANT

Temporary use of a property under the terms of a lease or other rental agreement.

TITLE COMPANY

Company which provides many services to investors, such as closings, handling legal documents, preparing paperwork, acting as an agent for a title insurance company, etc. A "must have" for any investor.

TITLE INSURANCE

Insurance against loss issued by a title company guaranteeing the title to be good and marketable.

TITLE SEARCH

A search performed on title to a property. The search begins with the original owner and continues through the present owner to find out if any liens or judgments exist against the property. This search is conducted by a title company or attorney.

TRUST

A fiduciary relationship in which one holds property for the benefit of another. The party creating the trust is called the settlor, the party holding the property is the trustee, and the party whose benefit the property is held is the beneficiary.

UNSECURED LINE OF CREDIT

A credit history between an individual and a lending institution which allows the borrower to have a credit line with no collateral.

USURY

The lending of money at a rate of interest above the legal rate.

"WASHED" AT THE COURTHOUSE STEPS

A property is going to sale at the courthouse auction. Liens against the property are as follows: a first mortgage of \$45,000; a second mortgage of \$10,000; and a third lien of \$3,000. The first lienholder bids its judgment amount of \$45,000 (first position will typically bid only its judgment amount). If no one else bids on the property, the first lienholder will gain title to the property, and the second and third lienholders will be "washed out", meaning

that they no longer have a lien against this property. If someone bids \$50,000, the additional \$5,000 amount above the first \$45,000 lien will be paid toward the second lien. Then, the third lienholder will be "washed out." If enough is bid, all parties will be paid. Typically, firsts get paid and all others get washed.

WARRANTY DEED

A deed which conveys title to a property which warrants the holder title to transfer.

WHOLESALE

The same definition as flipping. Wholesaling is the proper terminology. What will make you rich!

WRAPAROUND MORTGAGE

When homeowners have a first mortgage against their property that does not contain a "due on sale" clause, they can sell their home to any buyer and hold a wraparound mortgage for the entire amount of the sales price. The result is a mortgage that will wraparound the first. Keep in mind that the sellers remain responsible for the payments on the first lien regardless of whether the new homeowners make their payments.

WRIT OF EXECUTION

A writ to carry out a decree or judgment of a court.

SEE YOU AT THE VERY TOP!



You are now officially a **Dwanosaurus Rex** – We eat banks trying to hurt our homeowners...lol!

My attorney wants me to tell you that this **LINGO** is my personal opinion and doesn't mean I even know what I am talking about.

As far as I know, everything is true and correct and is meant to be used for training purposes only!

You get it...I'm not an attorney!