

**Buying real estate can be complicated, and some of the real estate terminology can be confusing. Be sure to refer to this comprehensive guide when you need some clarification.**



## **1) Adjustable rate mortgage**

As opposed to a fixed rate instrument, your actual interest rate can move up and down at pre-determined intervals according to whatever index it is associated with.

## **2) Amortization schedule**

A chart that shows exactly how much of your monthly payment is applied to principal, and how much is applied to interest.

### **3) Appraisal**

An independent accounting of what a property is worth. Lenders will require to this to make sure the home they are financing is worth the loan amount.

### **4) Assessed value**

What taxing authorities say your home is worth. This can be changed annually.

### **5) Buyer's Agent**

A real estate professional that represents the prospective buyer and is therefore entitled to part of the sale commission.

### **6) Closing**

The meeting where the deal is finalized. Money is usually transferred that day or the next day.

### **7) Closing costs**

These are the loan processing and various other costs that can equal two to five percent of the home's purchase price.

### **8) Contingencies**

Contract clauses that can allow either party to exit from a deal. An example is contract section that explains if the buyer cannot get financing within a certain period of time, the deal is off.

### **9) Equity**

The difference between the market value of your home and any loans you have against it.

## **10) Escrow**

An account that certain monies like down payments are placed into pending closing a deal. After the loan is closed, banks often require insurance and tax payments to be escrowed also.

## **11) Fixed-rate mortgage**

A [mortgage](#) rate that can't change no matter what happens to subsequent mortgage rates.

## **12) Home warranty**

Usually purchases from a third party, [these instruments](#) help pay for problems after the sale has been consummated.

## **13) Inspection**

Done by an independent person, this process checks the house for problems that may have to be addressed before the sale.

## **14) Interest**

The price you pay for money expressed as a yearly percentage. This is an important piece of real estate terminology that you must understand.

## **15) Listing Agent**

In a transaction, the seller's agent.

## **16) Mortgage broker**

A third party that finds appropriate lenders for [buyers](#).

## **17) Offer**

The legal document that spells out the buyer's proposed terms of purchase.

## **18) Pre-approval**

Buyers can go to the lender, present financial information, and get pre-approved for a loan. Pre-approval is not usually binding, however.

## **19) Principal**

The amount of money that needs to be financed after your down-payment has been subtracted. This seems like a simple, easy to understand piece of real estate terminology, but make sure you fully understand this concept before searching for a home.

## **20) Private mortgage insurance**

Insurance that the buyer pays for in monthly payments. It protects the lender against default.

## **21) Real estate agent**

Someone with a real estate license who has passed certain exams and who works with a [real estate broker](#). This should be a very familiar term to many; because whether you're buying a home in Minnesota or renting an [apartment in affordable Eugene, Oregon](#), it's likely that you've worked with an agent.

## **22) Real estate broker**

Someone that has met certain requirements and who hires agents to work for him or her.

## **23) Realtor**

A real estate agent that is a member of the [National Association of Realtors](#) (NAR). NAR has ethical and business standards that members must follow.

## **24) Refinancing**

Restructuring a home loan to get a more reasonable rate or pull equity money out.

## **25) Title insurance**

A policy that both sellers and buyers must purchase that protects that parties in a transaction against title deficiencies.

## **26) Contract for Deed**

[A unique process widely used in Minnesota](#) that, when used correctly, can allow those that have been denied credit a real chance at home ownership.

As you can see, real estate terminology can be tricky, but by becoming familiar with this list, you'll have a better understanding of what's going on during your deal.