

Acceleration Clause	A provision in a loan agreement that allows the lender to declare the entire unpaid balance due and payable immediately if a given condition occurs (like mortgage payments not made or some other contractual breach).
Adjustable Rate Mortgage (ARM)	Adjustable mortgage loan (AML) or a variable rate mortgage (VML). This is a mortgage whose interest rate is tied to an economic index and fluctuates with the market.
Adjustment Period	This is the period of time between changes in the interest rate on an ARM. For example, an ARM that changes its rate once a year has a one-year adjustment.
Amortization	The process of reducing a loan in equal installments of principal and interest, instead of interest-only payments.
Appraisal	An estimate of the fair market value of land and improvements at a particular point in time.
Annual percentage rate (APR)	The sum of finance charges (interest, loan fees, points) expressed as a percentage of the loan amount.
Assessments	Special and local taxes imposed on a property in the immediate vicinity of an improvement, such as street lighting districts or flood control.
Balloon Payment	The final lump sum payment that is due on the principal of a generally shorter mortgage.
Beneficiary	Whoever receives the benefit of the security. In a trust deed, the lender is the beneficiary.
Buy Down	An incentive offered by a developer or seller that allows the buyer to lower the interest rate by putting up a certain amount of money.
Cap	The limit on an interest rate for an adjustable mortgage (either on each adjustment or over the life of the mortgage).
CC&R's	Covenants, Conditions, and Restrictions. This document is an agreement to control the requirements, restrictions, and use of a property.
Closing Costs	The closing cost of a mortgage loan depend on all the costs paid by borrowers and/or sellers. These usually include the origination fee, discount points, title insurance, escrow fees, loan document fees, appraisal and credit report fees, mortgage insurance and prepaid items like taxes and insurance impounds.
Closing Statement	The settlement of escrow. For the buyer, it includes deposits made, the loan received or assumed, and any credits by escrow instructions, less the sales price, loan costs, insurance, prorate items, etc. For the seller, it has an accounting of the sales price minus any charges assessed to the seller and any payoffs made on the seller's behalf.
Contingency	It is a condition that must be met before a contract becomes binding. (For example, a sales agreement can be contingent on the sale of the buyer's current home.)

Conversion Clause	This provision (available in some ARM's) allows the buyer to change the loan to a fixed rate. The new rate is normally set at the prevalent interest rate for fixed-rate mortgages. This feature may cost extra.
Deed	A written document that transfers ownership of real property from seller to buyer.
Deed of Trust	Similar to a mortgage, this is an instrument whereby the owner of real property uses that property as collateral for the payment of a note or other obligation.
Default	The failure to pay an obligation or perform a duty.
Demand	An order for funds. When the seller's loan is to be paid in full through escrow, escrow must request and receive a written demand for payment to use the necessary documents to release the loan.
Down Payment	The cash paid by the borrower that represents the difference between the sale price and the loan amount.
Earnest Money	The money the buyer gives the seller in a show of good faith against the purchase price of a home. This binds the agreement between buyer and seller.
Easement	A right or interest given by a landowner to a third party regarding a property. For example, the right to pass through another's property to reach your own.
Encumbrance	A claim or lien on a property which can hinder the seller's ability to pass an unencumbered title to the buyer.
Equity	The value of property beyond the amount owed on it.
Escrow	A neutral third party that acts as an agent for both buyer and seller ensure that the agreed upon terms of the transaction are carried out.
Good Faith Estimate (GFE)	All lenders are required to give mortgage applicants an estimate of closing costs within three days of an application submission.
Graduated Payment Mortgage	Monthly payments on a mortgage that start out low and increase at a predetermined rate over the life of the loan.
Grantee	The buyer of a deed.
Grantor	The seller of a deed.
Home Warranty	A service contract provided by the builder that covers workmanship of a new home and appliances in working condition in the home for a period of one year. In addition, some builders offer a 10-year extended warranty on major structural defects.
Impound Account	A special savings account held by the lender, where the borrower deposits monthly amounts for taxes and insurance.
Legal Description	The description of real property as used in legal documents. Usually, legal descriptions refer to recorded maps, surveys, or other public documents.
Lien	A legal claim on another's property as security for the payment of a just debt.
Loan Commitment	A written promise to draw up a loan for a specified amount and term.

Loan Policy	A policy of title insurance insuring the interest of the lender.
Loan-to-Value Ratio	The relationship between the loan amount and the appraised value of the property, expressed as a percentage of the appraised value.
Lock-In	A mechanism which freezes the interest rate that will be charged on a particular loan for a certain time period.
Mello-Roos (or Special Taxing District)	A legislative act that allows for the creation of a Community Facilities District assessment. This assessment ensures that critical facilities like schools, roads, water and sewer facilities, etc., are available to serve the first home owners. Assessments vary by district.
Negative Amortization	This happens when monthly payments (held down by an interest cap) are less than the amount necessary to pay off the loan over the established time period.
Note	Written evidence of a debt, which includes a promise of a repayment in accordance with specified terms. Most often secured by a deed of trust in real estate.
Origination Fee	This fee is charged by the lender to offset the costs of evaluating, preparing and submitting a proposed mortgage loan. It's normally one percent of the loan amount.
PITI	Principal, Interest, Taxes, and Insurance.
Payee	One to whom a check, money, note, etc. is payable.
Personal Property	Any property which is not land or improvements permanently affixed to land. Furniture, stocks, bonds, promissory notes, etc. are all personal property.
Points	A one-time charge assessed at closing by the lender for the cost of the loan. One point is equal to one percent of the loan amount.
Power of Attorney	A written authorization allowing an individual to perform specified acts on behalf of another individual. This may be granted as a general or limited power.
Preliminary Title Report	A report regarding the current condition of the title, made by the title company before issuing a title policy.
Prepayment Penalty	A fine for paying off a loan partially or in full before its maturity.
Private Mortgage Insurance (PMI)	Insurance provided by a private company and paid by the borrower to the lender to protect the top 20 percent of a loan.
Pro-Rata	Adjustments such as taxes, insurance, rents, and interest on loans.
Purchase Agreement	A sales contract in which the purchaser agrees to buy certain real estate, and the seller agrees to sell under stated terms.
Quit Claim Deed	A deed relinquishing a person's rights, title or interest in a property to another person or entity with no guarantee that the person has a right in that property.
Real Property	Land and improvements permanently affixed to the land.

Reconveyance	The document which shows that a deed of trust affecting real property has been paid in full, and that the lender and trustee no longer have any interest in the property.
Recordation	Filing for record in the office of the county recorder.
Regulation Z	Known as the Truth in Lending Act, it is the set of rules controlling consumer lending.
Settlement Statement	A statement that lists the monies paid out and received by the buyer and seller at closing.
Swing Loan	A short-term loan given on the basis of a seller's equity.
Title	Evidence of a person's right to ownership in real property.
Title Insurance Policy	A contract by which the insurance company protects the purchaser and lender against losses.
Variable Interest Rate	A fluctuating interest rate that goes up and down depending on the current status of a specific economic indicator, like Treasury Bills.
Zoning	The regulations of uses and restrictions of real property by the local government.