



Glossary of Terms

To help prepare you for the home selling process, we've created a complete glossary of real estate terms.

When buying or selling a home, it's impossible to avoid real estate terminology. Everyone uses it from your real estate agent to your bank loan manager and the home seller. If you don't know what they're saying, you could put yourself at risk of a bad deal or an unfortunate misunderstanding that can cause endless trouble for closing the deal.

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Appraisal: This is an estimate of the property's worth/value. To determine the value of your home, you'll need a real estate appraisal with expertise in your geographic area.

Appreciation: Over time, your house should gain in value due to increased marketing demand and inflation. The increased value of your home from when you purchased it is considered its appreciation in value. Depreciation refers to a decrease in value.

Assessed Value: This is the dollar value that a public tax assessor assigns to your home for the purpose of city/state taxes. This value is separate from a home appraisal value or market value.

Assumption of Mortgage: When the purchaser takes over your mortgage obligating, making them personally liable for payment of an existing mortgage.

Closing Costs: These refer to miscellaneous expenses (typically paid by the buyer) to close the deal. Expenses can include mortgage fees, recording fees, title insurance, transfer taxes, credit check fees, commissions, inspection fees, appraisal fees, and more.

Certified Check: A check issued by a bank guaranteeing payment. The buyer is usually required to bring a certified check to closing by most title closing agents to speed disbursement at closing.

CMA: CMA stands for Comparative Market Analysis, also referred to as “comps.” This report looks at similar homes in your area that were sold or are currently on the market and can help you determine an accurate value for your home.

Closing: The consummation of the real estate transaction in which the seller delivers legal title to the buyer in exchange for the agreed payment or other compensation.

Common Area: When selling a home, you should also mention facilities and space that are included perks. For a condominium, this real estate lingo can refer to a shared pool, parking, laundry, or courtyard. In a house, it can refer to managed homeowners areas.

Contingency: A condition in a contract that, unless satisfied, may make the contract voidable by one of the parties.

Counteroffer/Counterproposal: If you reject the initial home offer made by the buyer, you can make a revised offer that is more desirable.

Deed: The deed is a written document that transfers the title of your property from one owner to another.

Disclosure: The revelation of information important to a transaction.

Earnest Money Deposit: You'll receive this payment from the buyer as an offer that indicates serious interest in your property. It is counted toward the down payment and is refundable.

Equity: This is the difference between your home's fair market value and the value of your unpaid mortgage.

Escrow: Refers to an account set up by the lender, which holds funds from the buyer pending completion of sale.

Foreign Investment in Real Property Tax Act (FIRPTA): A federal law for aliens and alien corporations for US income tax required that the buyer withhold a percentage of the sale price as taxes on the gain from the sale of a real property interest located in United States.

Homeowners Association (HOA): The association established by the declaration documents has the authority to levy mandatory assessments for maintenance of common elements in the community and to enforce unpaid levies with a lien on the property.

Material Fact: An important fact that may affect a buyer's decision to buy or a seller's decision to sell. Licensed realtors must disclose facts that materially affect the value of the residential property.

Mortgage: A lien of claim against your property that the buyer gives to the lender as security for the money borrowed. When selling, you'll need to ensure that you can make back your mortgage note.

Mortgage Insurance Premium (MIP): The amount paid by a borrower for insurance that protects the lender against loss in case of the borrower's default.

Multiple Listing Service (MLS): When selling your home, an MLS is an organization that collects and distributes home sale information to popular listing sites.

PITI Payment: The payment required of a borrower that includes principal, interest, taxes and insurance.

Principal: The amount of money you borrowed to buy your home that you must pay back with interest.

Radon: A colorless, odorless gas occurring from the natural breakdown of uranium in the soil. Many experts believe radon gas to be the second leading cause of lung cancer.

Real Estate Agent: A professional with a real estate license who has passed a test as required by the state.

Realtor: This is a real estate agent who is also a member of the National Association of Realtors, meaning they uphold certain standards and codes of ethics. Additionally they are required to follow rules for continuing education and must be up to date on all changes, laws, etc. pertaining to real estate transactions.

Real Estate Broker: A real estate agent that has additional education, has passed the state broker's exam, and meets minimum transaction requirements.

Sales Agreement: Also referred to as an agreement of sale, contract of purchase, or purchase agreement. This is the contract in which the seller agrees to sell and the buyer agrees to buy under specific terms and conditions.

Settlement Statement: Colorado Real Estate Commission approved form that provides a summary of the financial aspects of the closing for either a buyer or seller.

Square Footage Disclosure: A required disclosure for all residential property in Colorado if the square footage of the property is listed in any sales information. Listing broker must specify how they measured the property, or if they used another source, that source must be identified.

Title: The title is a document that refers to your right of ownership and thus your ability to sell.

Title Insurance: A guarantee to reimburse a loss arising from defects in title or liens against real property.

Walkthrough Inspection: An inspection of the house by the buyer, done sometime before the sale closes, to determine that the property is in the same condition as it was when the contract was signed and to ensure all required repairs have been completed.

Buying or Selling a home should never be confusing. We will be with you through the entire transaction to make sure you understand everything as we move smoothly through to closing.

