

# Understanding Key Real Estate Terms

Whether you are new to real estate transactions and needing the skinny on some lesser-known real estate terms or a seasoned property owner that just needs some brushing up on the terms, here are 12 definitions to make understanding real estate terms and acronyms more simple. These key terms may not be too common in the real estate industry, but they are still so important to know.

## **Adjustable-rate mortgage (ARM)**

Home-owners with an ARM are more subject to changes in interest rates. While a fixed rate loan is less likely to have a change in interest rate, homeowners with an adjustable-rate mortgage may be able to see their interest rates drop depending on the market. While this is a less popular option, this is an option for buyers that are purchasing a home during a period of high interest rates.

## **Amortization**

Amortization is a term for the schedule of a buyer's mortgage payments. Amortization payments are often monthly with a periodic payment over 15 or 30 years depending on the buyer's loan options.

## **Fair market value (FMV)**

When estimating a home's value, agents look to find the Fair market value of a home. This is how much this home is worth based on inspection results, economic standing of the area the home is in, and what condition

the home is in. A fair market value is imperative for the seller to get the right value for their home.

### **Internet Data Exchange (IDX)**

Realtors that want to share and post listings through the MLS need to opt into the IDX. Realtors who opt into the IDX have more visibility due to the freedom to share and promote more listings and usually have a larger client base.

### **Probate sale**

A probate sale occurs when the previous owner has passed away without bequeathing the property to someone in their will. Probate sales often take longer since the court needs to approve the sale, but these properties can be attractive to buyers as they are often sold below market property. The condition of these homes vary and the property is often sold as-is, making it a good fit for investors.

### **Trust sale**

If a homeowner places their home into a trust, the trustee is able to sell the home while bypassing the court process. This is how a trust sale differs from a probate sale. The process of selling an estate is at the will of the trustee, who has the final decision of the sale of the home

### **Due diligence**

Due diligence in terms of real estate is the process a buyer should go through before finalizing the purchase of a home. This includes finalizing insurance, reviewing paperwork, completing an inspection, comparing price trends and home values in the area and other steps that will help a

buyer make a decision before signing the final paperwork on a home purchase.

### **Earnest money deposit (EMD)**

An earnest money deposit or EMD is a security deposit made to a home seller. This deposit symbolizes the intent to buy a home. This is a good faith deposit that helps a buyer make a claim on the home while completing the final steps of the home buying process.

### **Natural hazards disclosure (NHD) report**

AN NHD is required in many states (sometimes as part of the Sellers' Disclosure) to ensure that a buyer is aware of any natural occurrences in the area that may damage the property or cause a drop in the value of a property. This is important for a home in an area with a high risk of flood, tornado, or wildfire damage or is located on or near a seismic hazard zone.

### **Real-estate owned (REO)**

A real-estate owned property is a property that is owned by a lender after the previous owner foreclosed on the property. This property has to have failed to sell for equal to or greater than the value of the remaining loan in a real estate auction. These homes are sold by the lender often for below market value and as-is.

### **Seller concession**

Seller concession refers to the portion of the closing costs at the end of a real estate transaction that the seller has agreed to pay. Seller concessions often allow a buyer to afford a higher down payment. The

seller concessions often include loan processing fees, title costs, inspection fees, etc.

### **Tenancy in common (TIC)**

This term refers to co-owners of a property. If there is more than one owner of a property, the property is considered to be a part of a tenancy in common.