



UNITED STATES  
SENATE FEDERAL  
CREDIT UNION

# MORTGAGE GLOSSARY

## **APPRAISED VALUE**

An opinion of a property's fair market value, based on an appraiser's knowledge, experience, and analysis of the property. An appraisal is based primarily on comparable sales.

## **CLOSING**

This has different meanings in different states. In some states, a real estate transaction is not considered "closed" until the documents are recorded. In others, the "closing" is a meeting where all of the documents are signed and money changes hands.

## **CLOSING DISCLOSURE (CD)**

A document that provides an itemized listing of the funds paid at closing. Items that appear on the statement include real estate commissions, loan fees, points, and initial escrow amounts. The CD outlines the seller's net proceeds and the buyer's net payment at closing.

## **CONDOMINIUM**

A type of ownership where all of the owners own the property, common areas, and buildings together, with the exception of the interior unit in which they have a shared title.

## **CONTINGENCY**

A condition that must be met before a contract is legally binding. For example, home purchasers often include a contingency that specifies that the contract is not binding until the purchaser obtains a satisfactory home inspection report from a qualified home inspector.

## **EARNEST MONEY DEPOSIT**

A deposit made by the potential homebuyer to show that he or she is serious about buying the house.

## **EQUITY**

Equity is the difference between the fair market value of the property and the amount still owed on its mortgage and other liens.

## **FLOOD INSURANCE**

Insurance that compensates for physical damage resulting from flooding. It's required for properties located in federally designated flood areas.

## **HAZARD INSURANCE**

Insurance coverage that compensates in the event of physical damage to a property from fire, wind, vandalism, and other hazards.

## **HOME INSPECTION**

A thorough inspection by a professional that evaluates the structural and mechanical condition of a property. A satisfactory home inspection is often included as a contingency by the purchaser.

## **HOMEOWNERS INSURANCE**

An insurance policy that combines personal liability insurance and hazard insurance coverage for a dwelling and its contents.



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## **LEGAL DESCRIPTION**

A property description, recognized by law, that is sufficient to locate and identify the property without oral testimony.

## **PURCHASE AGREEMENT**

A written contract signed by the buyer and seller stating the terms and conditions under which a property will be sold.

## **REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA)**

A consumer protection law that requires lenders to give borrowers advance notice of closing costs.

## **RIGHT OF FIRST REFUSAL**

A provision in an agreement that requires the owner of a property to give another party the first opportunity to purchase or lease the property before he or she offers it for sale.