

## TERMS YOU SHOULD KNOW

**AMORTIZED LOAN:** A loan that is paid off—both interest and principal—by regular payments that are equal or nearly equal.

**AMENDMENT:** A change—either to alter, add to, or correct—part of an agreement without changing the principal idea or essence.

**APPRAISAL:** An estimate of value of property resulting from analysis of facts about the property; an opinion of value.

**ASSUMPTION:** Taking over another person's financial obligation; taking title to a property with the Buyer assuming liability for paying and existing note secured by a deed of trust against the property.

**BENEFICIARY:** The recipient of benefits, often from a deed of trust; usually the lender.

**CLOSE OF ESCROW:** The date the documents are recorded and title passes from Seller to Buyer. On this date, the Buyer becomes the legal owner, and title insurance becomes effective.

**CLOUD ON TITLE:** A claim, encumbrance, or condition that impairs the title to real property until disproved or eliminated through such means as a quitclaim deed or a quiet title legal action.

**COMPARABLE SALES:** Sales that have similar characteristics as the subject property, used for analysis in the appraisal. Commonly called “comps”.

**CONVEYANCE:** An instrument in writing, such as a deed or trust deed, used to transfer (convey) title to property from one person to another.

**DEED OF TRUST:** An instrument used in many states in place of a mortgage.

**DEED RESTRICTIONS:** Limitations in the deed to a property that dictate certain uses that may or may not be made of the property.

**EARNEST MONEY DEPOSIT:** Down payment made by a purchaser of real estate as evidence of good faith; a deposit or partial payment.

**EASEMENT:** A right, privilege or interest limited to a specific purpose that one party has in the land of another.

**HAZARD INSURANCE:** Real estate insurance protecting against fire, some natural causes, vandalism, etc., depending upon the policy. Buyer often adds liability insurance and extended-coverage for personal property.

**HOMESTEAD EXEMPTION:** Automatic in Arizona, it allows any resident of Arizona, 18 years of age or older, to exempt from attachment, execution or forced sale \$100,000 of equity in a single dwelling unit. Exceptions include (1) process and sale of a consensual lien, i.e. where a deed of trust or equity loan is foreclosed; (2) a forced sale resulting from a mechanic's lien, and (3) any equity beyond the \$100,000. (you should consult an attorney to determine if this exemption offers you protection in the event of an attachment, execution, or forced sale)

**IMPOUNDS:** A trust type of account established by lenders for the accumulation of borrower's funds to meet periodic payments of taxes, mortgage insurance premiums and/or future insurance policy premiums, required to protect their security.

**LEGAL DESCRIPTION:** A description of land recognized by law, based on government surveys, spelling out the exact boundaries of the entire piece of land. It should so thoroughly identify a parcel of land that it cannot be confused with any other.

**LIEN:** A form of encumbrance that usually makes a specific property the security for the payment of a debt or discharge of an obligation. For example, judgments, taxes, mortgages, deeds of trust.

**MORTGAGE:** The instrument by which real property is pledged as security for repayment of a loan.

**PITI:** A payment that combines Principal, Interest, Taxes and Insurance.

**POWER OF ATTORNEY:** A written instrument whereby a principal gives authority to an agent. The agent acting under such a grant is sometimes called an “Attorney-In-Fact”.

**PURCHASE AGREEMENT:** The purchase contract between the Buyer and Seller. It is usually completed by the real estate agent and signed by the Buyer and Seller.

**QUITCLAIM DEED:** A deed operating as a release, intending to pass any title, interest or claim which the grantor may have in the property, but not containing any warranty of a valid interest or title by the grantor.

**RECORDING:** Filing documents affecting real property with the County Recorder as a matter of public record.

**WARRANTY DEED:** A real-estate oriented document used to convey fee title to real property from the grantor (usually the Seller) to the grantee (usually the Buyer).