

REAL ESTATE GLOSSARY

CONTRACTS:

- **Contingency** – A contingency in a purchase agreement says you will buy the home, as long as a particular event occurs/does not occur.
- **Appraisal** – Before the bank gives you a loan, an appraisal is done to justify the home's value. Note if the value comes in low, the lender may ask you to cover the difference out of pocket. The contingency says you will buy the home, as long as the appraisal comes back at or above a specific price.
- **Inspection** – By including the inspection contingency, this gives a buyer the most amount of flexibility with the offer. During this contingency period, this is the time to complete all investigations, order inspections, review disclosures, neighborhood research, etc – as these material facts can technically be used to renegotiate or back out of the deal.
- **Loan** – The contingency says you will purchase the home as long as you can qualify for a loan. You can also get more specific with the terms like max interest rate or points paid.
- **Property for Sale Contingency** – Not as common to see this successfully executed, but this is used when making an offer subject to the sale of an existing property.
- **Counter Offers** – The rejection of an original purchase offer and the submission of a new & different offer.
- **Days (Count)** – The day an offer is accepted is considered as "Day 0", with the following day being "Day 1". Days means calendar days, with a few exceptions: (1) delivery of deposit to escrow is based on business days, and (2) the scheduled performance of any act including close of escrow can't land on a weekend or legal holiday.
- **Escrow** – A legal agreement in which a neutral 3rd party facilitates the transfer of a property/asset from one party to another.
- **Escrow Period** – The period of time between when the purchase contract is signed and the official closing, typically around 30 or so days.
- **Final Walkthrough** – Prior to closing, this is the buyer's final viewing of the property, to verify that the property is in substantially the same condition as it was when the offer was made.
- **Good Faith Effort** – An honest & decent intent to act, without taking unfair advantage over another person.
- **HOA Documents** – A set of documents provided by the homeowner association's governing body that covers the rules, regulations, and other pertinent information related to a property within the community.
- **Inspection Reports** – A professional report examining safety, current condition, and potential risks at a property/ given area. Common examples include: home inspection, termite, & roof reports. On a case by case basis, we may also need additional reports like: chimney, pool, sewer, or foundation.
- **Natural Hazard Disclosure (Report)** – Also known as the NHD. This is a report required by law when selling a property. The disclosure informs prospective buyers if the property lies within a particular hazard zone (special flood area, dam inundation, seismic activity, earthquake fault, and very high and/or wildfire areas).
- **Offer Package** – These are the documents submitted when making an offer, consisting of three main parts: (1) offer documents, (2) proof of funds, and (3) a loan preapproval letter (if applicable).
- **Proof of Funds** – Also known as the verification of funds. These are used to show the seller that the buyer has the money to complete the purchase, including funds for: down payment, closing costs, and some reserves. For these documents, we can use any kind of bank, stock, or retirement accounts (even screenshots are acceptable provided it's showing your name & account balance).
- **Rent Back** – An additional period of time which allows the seller to stay in the home after the close of escrow (effectively as a renter).
- **RPA** – Stands for residential purchase agreement, also known as the purchase contract.
- **Seller Disclosures** – Legal documents that ask the seller questions about their knowledge of the property and the surrounding area. By law, sellers are required to disclose all material facts, which are any factors that could influence the home's value. Typically, the two most informative documents are the "Transfer Disclosure Statement" (TDS) & "Seller Property Questionnaire" (SPQ).

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LOAN:

- **Appraisal** - A fair market valuation of a property, conducted by an appraiser, who is hired by the bank as a 3rd party to provide their professional opinion.
- **Adjustable Rate Mortgage (ARM)** - A type of loan where the interest rate is fixed for an initial period of time, then adjusts based on a moveable financial index. Common to see ARMs in the following style: 5/1, 7/1, or 10/1; which means they will have a fixed rate for the first 5/7/or 10 years, then adjust every year for the remainder of the term.
- **Closing Disclosure** - A closing document which shows key info such as interest rate, monthly payments, and costs to close the loan.
- **Credit Report** - A record of one's individual debts and payment habits, helping the lender determine the risk for each borrower.
- **Debt Ratio** - Total monthly debts divided by gross monthly income before taxes. Typically >43% is considered high.
- **Home Equity Line of Credit (HELOC)** - A line of credit secured by the borrower's residence. Typically used for home improvements or other major expenses.
- **Fixed Rate Mortgage** - A loan with a fixed interest rate throughout the life of the loan.
- **Hard Money Loan** - A short term loan typically issued by private investors or companies, using the property or asset as collateral. Cost of financing with hard money would be much higher compared to traditional financing.
- **Mortgage Broker** - Compared to a traditional big bank, a mortgage broker typically has more access to lenders / loan programs. These are highly recommended for people with a history of self employment or partnership type of businesses. Feel free to ask if you need referrals!
- **Mortgage Insurance** - Also known as PMI or private mortgage insurance, this is basically an insurance policy that protects a mortgage lender if a borrower fails to make their payments.
- **Mortgage Points** - These are fees that a homebuyer pays to the lender in exchange for a reduced interest rate. One point is equal to 1% of the principal conventional loan amount.
- **PITI** - Acronym for the combined monthly mortgage payment including: Principal, Interest, Taxes (Property), and Insurance.
- **Preapproval Letter** - A document that states how much a lender is willing to loan you for a new home purchase. The preapproval process involves a check of credit history, employment, and verification of monthly income; you'll need to provide the lender with your financial documentation such as bank statements, pay stubs, tax returns, and W2s/1099s.
- **Underwriting** - The process of determining a borrower's financial strength, so that the loan amount & terms can be established.

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GENERAL:

- **1031 Exchange** - A type of tax strategy involving exchanges of like kind properties that postpone the payment of taxes on capital gains. The properties must be held for business use or as an investment.
- **1 Acre** = 43560 square feet.
- **CC&Rs** - Stands for covenants, conditions, & restrictions. These are rules within a HOA or community that describe what you can and can't do with your property.
- **Comps** - Also known as comparable properties; refers to homes with similar characteristics as the subject property.
- **Condominiums** - Condo units are typically located within a larger complex, similar to apartment style living. You own the space within the walls of your apartment, but not the land. Note "townhouse style condos" are also popular here, which are technically condos but resemble more of townhouse / attached single family home living.
- **Curb Appeal** - The attractiveness of a property and its surroundings when viewed from the street.
- **Crawl Space (Foundation)** - A shallow, unfinished space beneath the first floor or under a roof of a building, especially for access to plumbing or electrical wiring.
- **Deed** - A written document used to convey an ownership interest in real property.
- **Dry Rot** - Wood decay due to fungi caused when wood is exposed to a constant source of moisture. Dry rot appears as crown crumbled wood.
- **Duet** - A type of single family home, where two homes are attached and share a common wall.
- **Duplex** - Residential building containing two units. The units are usually side by side sharing a common wall & roof, or stacked one above the other.
- **Electrical Service** - A type of electrical circuit, which is measured in amps. A typical residential service size is 60, 100, or 200 amps; though most homes nowadays will have at least 100 amps. For homes with more advanced systems and/or solar, they usually require 200 amps or more.
- **Foundation** - The underlying base or support of the house, usually concrete or masonry. The most common are crawl space or slab foundations.
- **Fumigation** - A method of pest control using chemicals to kill pests like insects or rodents within a structure. Also known as termite tenting.
- **GFCI** - Stands for Ground Fault Circuit Interrupter. GFCI is an electrical safety device that instantly shuts down when there's a circuit that shorts. Required for outlets used in bathrooms, kitchens, and outdoors, basically any place where electrical equipment could come into contact with water.
- **HVAC** - Acronym for Heating, Ventilation, & Air Conditioning. This is a system that regulates the exchange of fresh air & heat throughout a building.
- **Planned Development (PUD)** - A type of common interest development with clustered single family detached residences, townhouses, garden apartments, and other types of residences, with ample open space, community recreational facilities, and sometimes local shopping and employment centers.
- **Slab (Foundation)** - A type of foundation where the structure sits directly on the ground, as opposed to having a crawl space area.
- **Title** - Proof that the owner is in lawful possession, and publicly recorded in the county where the property is located.
- **Title Company** - The company that performs a title search on the property and issues a title policy for the lender & purchasers, to ensure that there is a valid mortgage lien against the property, and that the title is clear.
- **Title Report** - A report which discloses the condition of title, made by a title company before issuing an insurance policy.
- **Townhomes** - Typically arranged in a row, it's common for townhomes to have similar or the same designs between units, sharing a common wall between them. These usually have more resemblance to the size & look of a single family home, sometimes even coming with attached garages. Compared to condos, these include ownership of the structure and also the land they sit on.
- **Zoning** - The regulation of structures and uses of property within selected districts. Zoning laws affect the use of land lot sizes, types of permitted structures, building heights, setbacks, and density.

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DOCUMENTS

- **Agency Disclosure (C.A.R form AD)** – Explains the responsibilities of the buyer & seller in a transaction, as well as the duties of the agent(s) involved.
- **Agent Visual Inspection Disclosure (C.A.R form AVID)** – Each agent is required to perform a visual inspection and disclose any material facts that might affect the value or desirability of the property.
- **Buyer Investigation Advisory (C.A.R form BIA)** – Contains general advisory topics for buyers to consider during their investigation/inspection period.
- **Covenants, Conditions, & Restrictions (CC&Rs)** – These are rules within a HOA or community that describe what you can and can't do with your property. Older homes will sometimes have outdated rules in their CC&Rs and/or have a lack of a HOA to enforce, for these cases we typically refer to the city/county rules for guidance.
- **Natural Hazard Disclosure Report (NHD)** – Discloses the natural hazard zones in an area including: special flood areas, dam inundation zones, high fire zones, or earthquake faults. In addition, the report informs of the property taxes and any special assessment(s) assigned to the area.
- **NHD Statement** – Summary page of the NHD, usually found within the first couple pages of the report. This would show all the zones that the property potentially lies in.
- **HOA Documents** – A set of documents provided by the homeowner association's (HOA) governing body that covers the rules, regulations, and other pertinent information related to a property within the community. These can include: new resident information, Articles of Incorporation, CC&Rs, Bylaws, Operating Rules & Regulations, Annual Budgets & financial info, reserve studies, and recent HOA meeting notes.
- **Home Inspection Report** – A professional report examining safety, current condition, and potential risks at a property. This typically includes findings regarding: the roof, foundation, drainage, plumbing, HVAC, visible insulation, walls, windows, and doors. Further inspections might be recommended for evaluating the chimney, pool, sewer, and/or foundation condition.
- **Home Warranty** – The home warranty acts similar to home insurance in providing coverage for major components inside the home. Typically the plan is for a 1 year period, with upgrades available to cover things like: appliances, A/C, pool equipment, etc. Note these are completely optional, but many find these beneficial as the plan also covers you during the escrow period.
- **Market Conditions Advisory (C.A.R form MCA)** – Advisory about the competitive conditions of the market, the risks of writing a non contingent offer (as a buyer), and some basic considerations for the seller.
- **Possible Representation of Multiple Buyers & Sellers (C.A.R form PRBS)** – This is similar to the Agency Disclosure form regarding dual agency relationships. An agent may represent multiple buyers or sellers, or even both parties of the transaction.
- **Roof Inspection Report** – Evaluation of the roof's condition including details such as the age, material type, preventative maintenance, and any repairs needed.
- **Statewide Buyer & Seller Advisory (C.A.R form SBSA)** – Comprehensive list of general advisory topics for buyers & sellers of property in the state of California. The duties of each party in the transaction (buyer, seller, brokers/agents) are also outlined.
- **Seller in Possession Addendum (C.A.R form SIP)** – This addendum allows the Seller to stay in possession of the property for a period of time after the Close of Escrow. The SIP form also includes some terms and clarifications during the rent back period. If occupancy is intended for longer than 30 days, a different form (RLAS – Residential Lease After Sale) will be used.
- **Seller Property Questionnaire (C.A.R form SPQ)** – The questionnaire asks the Seller about their knowledge of the home and area surrounding the property. The SPQ is used as a supplement to the seller questions from the Transfer Disclosure Statement (TDS).
- **Termite Inspection Report** – Assesses if the property contains wood destroying pests and organisms (Section 1), or has conditions deemed likely to lead to those/further damage (Section 2).
- **Title / Preliminary Title Report** – A report which discloses the condition of title, made by a title company before issuing an insurance policy. Here we can also check for tax information, outstanding loans, plot map, any liens, etc.
- **Transfer Disclosure Statement (C.A.R form TDS)** – Sellers are required to disclose their knowledge of the property's features, the property's condition, and surrounding area.

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