

Real Estate Legalese 101

Even though you're required by New York City law to hire a real estate lawyer, it's still important for you to understand some of the real estate legalese you're likely to encounter when you sign documents. Here are some need-to-know terms.

Appraisal

A valuation of property by a qualified individual who uses his or her experience to prepare the appraisal estimate.

Appraisal fee

Fee charged by an appraiser to estimate the market value of a property, which starts at about \$500 but can run significantly higher.

Appreciation

An increase in property value.

As-is condition

The purchase or sale of a property in its existing condition, without repairs.

Asking price

A seller's stated price for a property and a starting point for negotiations.

Assumption clause

A provision in the terms of a loan that allows the buyer to take legal responsibility for the mortgage from the seller.

Back-to-back escrow

Arrangements that an owner makes to oversee the sale of one property and the purchase of another at the same time.

Broker

An agent who negotiates the contracts of sale between the parties for a fee or commission.

Capital improvements

Property improvements that either will enhance the property value or will increase the useful life of the property.

Capital, or cash reserves

An individual's savings, investments or assets.

Certification of title

A certificate of ownership stating that the title to the specified property is free and clear except for a mortgage.

Closing

The fulfillment or performance of a contract especially for the sale of real estate.

Closing costs

Fees for final property transfer not included in the price of the property. Typical closing costs include fees, taxes, and insurance payments that are due when you sign a mortgage and take possession of the apartment. These vary based on purchase price and the mortgage itself.

Co-signer

A person who signs a credit application with another person, agreeing to be equally responsible for the repayment of the loan.

Counteroffer

A rejection to all or part of a purchase offer that requests different terms to reach an acceptable sales contract.

Credit report

A report generated by the credit bureau that contains the borrower's credit history for the past seven years. Lenders use this information to determine if a loan will be granted.

Credit risk

A term used to describe the possibility of default on a loan by a borrower.

Credit score

A score calculated by using a person's credit report to determine the likelihood of a loan being repaid on time. Scores range from about 360 to 840. A lower score means a person is a higher risk.

Deed

A written instrument by which a person transfers ownership of property to another.

Down payment

The portion of a home's purchase price that is paid in cash and is not part of the mortgage loan.

Escrow account

A separate account into which the lender puts a portion of each monthly mortgage payment. An escrow account provides the funds needed for such expenses as property taxes and homeowners' insurance.

Joint tenancy

Two or more owners share ownership and rights to the property. If a joint owner dies, his or her share of the property passes to the other owners, without probate.

Lender

A term referring to a person or company that makes loans for real estate purchases; sometimes referred to as a loan officer.

Mansion tax

A 1 percent tax on sales of homes \$1 million and above.

Market value

The price at which a buyer is ready and willing to buy and a seller is ready and willing to sell.

Mortgage

A legal agreement by which a bank or other creditor lends money at interest in exchange for taking title of the debtor's property.

Preapproval

A lender commits to lend to a potential borrower a specific or maximum loan amount based on a completed loan application, credit reports, and debt and savings statements, all of which have been reviewed by an underwriter. Preapproval could happen before a property search begins or while the search is in progress.

Punch list

A list of items that have not been completed at the time of the final walk-through of a newly purchased apartment.

Terms

The period of time and the interest rate agreed upon by the lender and the borrower to repay a loan.

Transfer of ownership

Any means by which ownership of a property changes hands. These include purchase of a property, assumption of mortgage debt, or exchange of possession of a property.

Walk-through

The final inspection by the buyer of a property being sold; the intent is to confirm that any contingencies specified in the purchase agreement such as repairs have been completed.