

Glossary of Escrow / Title Terms



Allowable Fees/Closing Costs: Are charges or fees, which are allowed to be charged to the Buyer per FHA and VA guidelines.

Amortization Schedule: A schedule of each payment due on a mortgage loan showing the amount applied to principal, the amount applied to interest and the remaining principal balance due.

Annual Percentage Rate: This is not the note rate on your loan. It is the rate, which represents the total cost of the loan, including finance charges.

Appraisal Fee: The fee charged by the lender for a written report (appraisal) by a qualified person setting forth an opinion of a property's fair market value.

Appraisal Review: A review of the written appraisal by a qualified person to reconfirm the property's fair market value (second opinion required by the lender).

Credit Report: A report by a credit-reporting agency used by Lenders to determine the credit-worthiness of an applicant.

Deed of Trust: Some states do not record mortgages. Instead, for real estate a deed of trust is used and recorded as security for repayment of a note.

Document Preparation Fee: The fee charged by the lender for drawing loan documents.

Conveyance Transfer Tax: A state tax on the sale of real property, based on the sale price or equity transferred and whether buyer is going to be an occupant or non-occupant.

Down Payment: Cash portion of the amount of the purchase price.

Earnest Money: An amount of money, given as part of the purchase price, deposited to a third party (escrow holder) by a person purchasing property and held in a trust account until the transaction is completed.

Escrow: The use of a neutral third party who carries out the wishes of the Buyer & Seller in a real estate closing.

FHA (Federal Housing Administration): An agency of the U.S. Department of Housing and Urban Development. Its main activity is the insuring of residential mortgage loans made by private lenders. The FHA sets standards for construction and underwriting but does not lend money or plan or construct housing.

FHA Loan: A loan that is insured by the Federal Housing Administration (FHA). Along with VA loans, a FHA loan will often be referred to as a government loan.

Fire Insurance: An insurance policy that covers against loss or damage by fire to a specific property (structure only).

Flood Insurance: Insurance that compensates for physical property damage resulting from flooding. It is required for properties located in federally designated flood zones.

Funding Fee: The fee the lender charges for arranging for the release of the loan funds to the title company.

Grand Deed: A written instrument by which title to or an interest in real property is transferred from one person

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or legal entity to another.

Homeowners Association (HOA): (1) An association of people who own homes in a given area, formed for the purpose of improving or maintaining the quality of the area. (2) An association formed by the builder of condominiums or planned developments, and required by statute in some states. The builder's participation as well as the duties of the association is controlled by statute.

- **HOA Homeowner Association Dues:** Dues charged by the HOA for the purpose of improving or maintaining the development.
- **HOA Document Fee:** Fee charged to the Seller, by the HOA for supplying copies of HOA documents, such as Covenants, Conditions & Restrictions, Financials, etc.
- **HOA Transfer Fee:** Fee charged to the Buyer, by the HOA when a property is sold and title is transferred to a new owner.

Homeowners Insurance: An insurance policy that covers property and contents.

Home Warranty: Private insurance, insuring a Buyer against defects (usually plumbing, heating, and electrical) in the home he / she has purchased. The period of insurance varies from company to company but is typically for a one-year period.

Impound Account: An account held in trust by the lender in which the borrower places monthly deposits with the lender for the payment of taxes, insurance and other purposes.

- **Fire Insurance Impounds:** Money held by the lender for the payment of Fire Insurance – an insurance policy that covers against loss or damage by fire to a specific property (structure only)
- **Flood Insurance Impounds:** Money held by the lender for the payment of Insurance that compensates for physical property damage resulting from flooding.
- **Mortgage Insurance Premium Impounds:** Money held by the lender for the payment of Insurance that insures the lender against loss caused by the Borrower's failure to make the loan payments
- **Property Tax Impounds:** Money held by the lender for the payment of property taxes levied on real property based on the value of the property.

Interest: The percentage of an amount of money, which is paid for the use of that money over a period of time.

Loan Amount: The principal sum of money a borrower receives from a lender for the purchase of real estate.

Loan Discount Points: A point is one percent of the loan amount. When referring to mortgages or deed of trust, the term is used to describe the percentage of discount rather than interest. "Points" are usually paid by the Seller in FHA & VA insured loans, and by either Buyer or Seller (or both) in conventional loans. "Points" are charged by the lender to adjust the interest rate to the required yield.

Loan Origination Fee: A one-time setup fee charged by the lender.

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Mortgage Insurance: Insures the lender against loss caused by the borrower's failure to make the loan.

Non-Allowable Fees/Closing Costs: Are charges or fees, which are not allowed to be charged to the Buyer per FHA & VA guidelines. Non-Allowables are not the same for FHA & VA transactions.

Non-Recurring Closing Costs: Are charges or fees which only occur one time; i.e., escrow fee, title insurance policy, recording fees, document preparation, notary fees, loan origination, loan discount points, inspection fees, underwriting-basically anything that is a one-time fee & will not be paid again.

Notary: One who is authorized by the state or federal government, to administer oaths & to attest to the authenticity of signatures.

Payoff Statement/Demand: A statement from a lender showing the amount due on a loan to be paid.

Payoff Statement Fee/Demand Fee: Fee a lender charges to provide a statement showing the amount due on a loan.

Prepayment Penalty: An agreement to pay a penalty for the payment of a note before it actually becomes due.

Principal: The amount of a debt outstanding.

Processing Fee: The fee charged by the mortgage broker (lender) to process the borrowers' loan.

Property Taxes: A tax levied on real property based on the value of the property.

Prorations: The allocation of property taxes, interest, HOA dues, insurance premiums, rental income, etc.

- **HOA Prorations:** A formula which is monthly dues divided 30 days equals per day amount (per diem) times the days that the party owns the property
- **Property Tax Prorations:** A formula which is 6 months taxes divided by 180 days equals per day amount (per diem) times the number of days the party owns the property
- **Rent Prorations Formula:** Monthly rent divided by 30 days equals per day amount (per diem) times the days that the party owns the property.

Real Estate Brokers Fees (Commission): Broker compensation typically paid by the Seller for services rendered.

Reconveyance: The document that is evidence that the Deed of Trust affecting real property has been paid in full and that the lender and the trustee no longer have any interest in the property.

Reconveyance Fee: The fee charged by the trustee for issuing the deed of reconveyance. This deed is issued after the loan has been paid off upon request to do so by the beneficiary (the lender) of that trust deed.

Recordation: Filing instruments for public record (and notice) with the county recorder.

Recording Fees: The amount paid to the county recorder's office in order to make a document a matter of public record.

Recurring Closing Costs: Are items, which will occur more than once; i.e., property taxes, interest, fire insurance,

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homeowners association dues, mortgage insurance, etc. These fees are paid each month or year during ownership of the property.

Sub-Escrow Fee (Title Company Charge): Fee charged by the title company for handling loan funds and disbursing loan payoffs.

Tax Service: Fee charged by the lender for a service that notifies the lender of property tax amounts and/or delinquencies.

Termite Completion: The document issued by the termite company showing that any required termite work listed on the termite inspection has been completed on the building.

Termite Inspection Report: An inspection required in certain types of sales of property, to determine if termites are present within a building.

Title: The evidence of ownership of real property.

Title Insurance Policy: Insurance against loss or damage resulting from defects in title to a particular parcel of real property.

- **Owners Title Insurance Policy:** Protects the Owner/Buyer against loss due to a defect in the title.
- **Lenders Title Policy:** A policy which protects the Lender in the event of a loss due to a defect in title.
- **Title Endorsements:** Additional title insurance coverage required by the lender, paid by the Buyer.

Underwriting Fee: The fee charged by the lender to determine the risk analysis of a Borrower's loan package.

VA (Veteran's Administration) Loan: Housing loans to veterans by banks, savings and loans or other lenders, which are insured by the Veteran's Administration, enabling veterans to buy a residence with little or no down payment.

Warehouse Fee: Fee charged by the lender for the depositing of loans by the lender such as a mortgage company, and a bank, for sale at a later date. This is done when the mortgage company wishes to assemble a block of loans for sale, or when the company believes that the discount rate is dropping and the loan maybe sold for a higher price in the future.

Wire Transfer Fee: The fee charged by the lender, title company, escrow company or bank for transferring or receiving wired funds on behalf of the Buyer or Seller in a real estate transaction.