

# UNDERSTANDING THE LANGUAGE OF REAL ESTATE

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**Acknowledgement:** A formal declaration made before a duly authorized officer (usually a notary public) by a person who has executed an instrument that such execution is his or her act and deed.

**Amortization:** The process of paying off a debt in installments over a given period of time without a final balloon payment.

**Annual Percentage Rate (APR):** An expression of the percentage relationship of the total finance charges to the total amount to be financed, as required under the federal Truth-in-Lending Act.

**Beneficiary:** The person who is entitled to receive funds or property under the terms and provisions of a will, trust, insurance policy or security instrument. In connection with a mortgage loan the beneficiary is the lender.

**CC and Rs (Covenants, Conditions and Restrictions):** Limitations placed on the use and enjoyment of real property. These are found most often in condominiums and planned unit developments.

**Chain of Title:** A chronological list of recorded instruments tracing title to land, from the original owner to the present owner.

**Clear Title:** Title to property which is free from liens, defects of other encumbrances.

**Cloud on Title:** Any document, claim, unreleased lien or encumbrance, which, if valid, would affect or impair title to a property.

**Community Property:** Property acquired during a marriage by either a husband or wife, or both, which is not separate property.

**Contingency:** Action conditioned upon a certain event. Acceptance of the terms of a contract based on something else happening or certain conditions being met.

**Conveyance:** The transfer of title or an interest in real property by means of a written instrument such as a deed of trust.

**Deed of Trust:** A security agreement creating a lien by which title to real property is transferred to a third party trustee as security for an obligation owed by the trustor (borrower) to the beneficiary (lender).

**Documentary Transfer Tax:** The tax, based on sales price, less loans which are being assumed, which is charged by the city and/or county on the transfer of real property.

**Easement:** A limited right or interest in land of another that entitles the holder of the right to some use, privilege or benefit over the land.

**Encumbrance:** A claim, right or lien upon real property, held by someone other than the owner.

Source: <http://www.clta.org/for-consumers/consumer-language.html>

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**Endorsement:** A rider attached to an insurance policy to expand or limit coverage. Also spelled indorsement.

**Exception:** A provision in a title insurance binder or policy which excludes liability for a specified title defect or an outstanding lien or encumbrance.

**Fee Simple:** An estate under which the owner owns a complete interest in the property and is entitled to the unrestricted use and enjoyment of the property, including the right to dispose of the property.

**Grantee:** One to whom a grant is made. The purchaser of real property.

**Grantor:** One who has made a grant. The seller of real property.

**Hidden Defect:** An encumbrance on a title that is not apparent in the public records; for example, unknown heirs, secret marriages and forged instruments.

**Joint Tenancy:** A means of ownership in which two or more persons own equal shares in real property. Upon the death of one tenant, his/her share passes to the remaining tenant(s) until title is vested in the last survivor.

**Lien:** A recorded document which claims an interest in real property as security for a debt owed. Such liability may be created by contract, such as a deed of trust, or by a court judgment.

**Lis Pendens:** Legal notice that a lawsuit is pending. Also called a notice of action.

**Mechanic's Lien:** A lien on real estate which secures the payment of debts due to persons who perform labor or services or furnish materials incident to the construction of buildings and improvement on real estate.

**Private Mortgage Insurance (PMI):** Insurance written by a private mortgage insurance company protecting the mortgage lender against loss occasioned by a mortgage default and foreclosure.

**Quitclaim Deed:** A deed relinquishing all interest, title or claim in a property by a grantor. Accomplished without representing that such title is valid, nor containing any warranty or covenants of title.

**Reconveyance:** The conveyance to the landowner of the title, held by a trustee under a deed of trust, when the performance of the debt is satisfied.

**Tenancy in Common:** Co-ownership in a property by two or more persons, each of whom has an undivided interest in the whole property.

**Trustee:** A person who holds title in trust for the benefit of another. In a deed of trust, the trustee is the person named to hold title in trust for the benefit of the lender until the loan is paid off.

**Trustor:** The borrower under a deed of trust. One who deeds their property to a trustee as security for repayment of a loan.