

# Terms commonly used in real estate transactions

- COLLATERAL** Property used as a guarantee of payment in case of default on a loan. In other words, should the borrower fail to repay their loan, the lender can assume ownership of the property as payment.
- COMMITMENT** Legal requirements that must be fulfilled by a borrower to receive a loan using property as collateral. These include:
- **Satisfaction of Judgment** – When a defect on the property title is discovered, the title company will submit a request, to the appropriate court, changes necessary for clear title. Once this decision is made, a Satisfaction of Judgment is issued and submitted for documentation in the public record.
  - **Deed of Trust** – Records that an acceptable payment plan has been submitted by the lender. At the closing, the buyer will sign and officially agree to the deed of trust.
  - **Conveyance of Property** – Signed at the closing, this deed officially transfers ownership of property from seller to buyer.
  - **Lien** – Any outstanding financial obligations, with respect to the property, held by any previous owner. These can include a variety of debts including utility bills, homeowner association fees, property taxes, mortgage and others.
- COMMITMENT DATE** The date on which the title company reviewed all documents associated with the property at the Clerk and Recorder's office. Public documents include court records for any legal judgments concerning the property or any liens against the property (see **commitment**) .
- COVENANT** Rules and regulations established by the homeowners association (HOA) or property development that govern property usage, including noise regulations, signage, parking, landscaping and others.
- DEED OF TRUST** Also known as a mortgage, this is a written promise by the buyer to repay money borrowed using property as collateral. At the time of the closing, the deed of trust is signed by the borrower and given to the lender.
- F-8.1** A common additional protection purchased by lenders. This is an environmental endorsement guarantying that no hazardous waste is located on a residential property (documented in federal records).
- F-100** A common additional protection purchased by lenders, this endorsement offers additional protection over and above rules or regulations contained in the covenants that could affect property ownership. For example, if covenants allow personal property to be located within a common area, ownership of this property is protected within the title.
- LEGAL DESCRIPTION** A description of the property using terms established by surveys and the county assessor. These include lot size, property boundaries, property use, single- or multi-family residence, and assessed value.
- LENDER** Sometimes known as the mortgagor, this is the person or company that loans the money to the buyer purchasing the property. Often, the purchased property is used as collateral for the loan.
- LOAN POLICY** Policy that insures that the holder of the mortgage has a valid lien on the property and protects the holder of the mortgage from liabilities resulting from defects in the title.
- OWNER'S POLICY** A title insurance policy purchased by a property owner to protect their rights of ownership against any loss incurred as a result of defects in the title.
- PREMIUM** A one-time premium paid to the title insurance company at the time of closing. This dollar amount is calculated as a percentage of the property's assessed value.
- REQUIREMENTS** Qualifications the title company must meet in order to insure good, clear title. These include:
- **Warranty Deed** – Records the transfer of property ownership from the seller to the buyer. After the closing, the warranty deed is recorded in the public record. A warranty deed does not guarantee that the property title has been researched and deemed clear, and it should not be substituted for a title insurance policy.
  - **Release Records** – Records full payment of the previous owner's loan and relinquishes their financial interest in the property. This must occur in order for the buyer to assume ownership. In the case of a refinance, the document records full payment of the previous loan.
  - **Deed of Trust** – Also known as a mortgage, this is a written promise by the buyer to repay money borrowed using property as collateral. At the time of the closing, the deed of trust is signed by the borrower, submitted to the public record, then given to the lender.