

the property's cost, most lenders will require you to obtain private mortgage insurance, which protects your lender if you default on the loan. Cost: \$45 to \$75 a month. Be sure you can cancel the private mortgage insurance policy when you've paid your loan to less than 80 percent of your home's value.

These are just a few of the terms you will run across when dealing with real estate. If there are more you are unfamiliar with, then check the Glossary at www.samhoustonlandmark.com You will find a complete list of real estate terms.

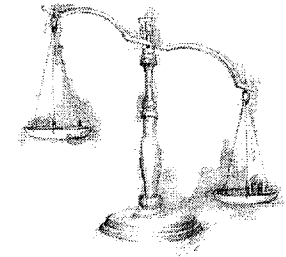
Remember if there is something you do not understand, then ask your real estate agent for help. You should also consult your attorney and tax advisor when selling or purchasing real estate.

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MOST COMMON REAL ESTATE TERMS

“THE LEGAL CORNER”

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The information in this column is not intended as legal advice but to provide a general understanding of the law. Any readers with a legal problem, including those whose questions are addressed here, should consult an attorney for advice on their particular circumstances.

If you have ever sold or purchased property, then you know that besides English and Spanish there is a third language commonly used in Texas: “Legalese.” If you have ever talked to a loan officer with a lender, then perhaps you have experienced acronyms as well. They use terms like “your ARM will be 6.0%,” “the LTV on this transaction is great” or “you will need to get PMI.” Learning the meaning of the most common terms before you enter the transaction may save you a lot on interest costs, fees and other charges, or at least make you feel more comfortable with the process. So this week I will review the 10 common real estate terms.

Adjustable-rate mortgage (ARM)

In this type of loan, the interest rate and payments change anywhere from once in six months to once in five years to reflect interest rate changes. To sell an ARM, a lender will offer a lower initial rate than on a fixed loan.

Closing

Also known as settlement, act of sale or closing escrow. This is when buyers sit down, at a title company, and sign a bewildering mound of papers. At the end, the deal is done and the home is yours. It is best if both the buyer and

seller attend the closing together. This allows you to go over the final details and exchange keys, etc.

Contract

In Texas this means the Earnest Money Contract. It is the document that lays out terms of the deal: price, mortgage amount, when the deal closes, what stays or goes (such as that freezer in the garage), even the agent's commission.

Conventional mortgage

The most common home loan, this type of mortgage is not insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.

Fixed-rate mortgage

In this type of mortgage, the interest rate and payments stay the same during the term of the loan. Fixed-rate loans are often made for 15 years or 30 years. You can cut the interest rate by taking a shorter-term loan, but the monthly payment will be higher.

Inspection

Every home buyer should demand this independent, third-party examination of the property prior to the sale. If the inspector finds a problem, such as a bad furnace or roof, the buyer can demand repairs or a lower price as a condition of the sale. Cost to buyer: \$200 to

\$350 for most homes. Buyers should attend inspections.

Loan-to-value ratio (LTV)

What you're borrowing compared to the appraised value. The smaller your down payment is, the higher the ratio and the riskier the mortgage. When you apply for a loan, a lender will study the ratio closely.

PITI

The owner's typical monthly payment, which includes principal, interest, (property) taxes and insurance. Most lenders collect a portion of annual tax and insurance bills each month, then pay them when they're due.

Point

A point is 1 percent of the loan amount. For example, two points on a \$100,000 loan would be \$2,000. You can pay points to get your lender to give you a lower interest rate. Or, you can refuse to pay points and keep the interest rate offered. Often the increase in payment is quite small, so weigh the pluses and minuses carefully before you decide. Points are also called loan discount fees. You should check with your accountant, because this expense could be tax deductible but it depends on what term is used.

Private mortgage insurance (PMI)

If your down payment is less than 20 percent of