

**AMORTIZATION**

A payment plan by which the borrower reduces his/her debt gradually through monthly payments of principal.

**APPRECIATION**

An increase in the value of property.

**APPRAISAL**

The evaluation of a piece of property to determine its value; that is, what it would sell for in the marketplace.

**ASSESSMENT**

The value placed on property for purposes of taxation; may also refer to a special tax due for a special purpose, such as a sewer assessment.

**CLOSING**

The final step in the sale and purchase of a property, when the title is transferred from the seller to the buyer. The buyer signs the mortgage and pays settlement costs, and any money due the seller or buyer is handed over.

**CLOSING COSTS**

Sometimes called settlement costs - the costs in addition to the price of a house, usually including mortgage origination fee, title insurance, attorney's fee and prepayable items such as taxes and insurance payments collected in advance and held in an escrow account.

**CONVENTIONAL LOAN**

A mortgage loan that is not insured by FHA or guaranteed by VA.

**DEFAULT**

Failure to make mortgage payment on time, as agreed to in the mortgage note or deed of trust. If a payment is 30 days late, the mortgage is in default, and it may give the lender the right to start foreclosure proceedings.

**DEPOSIT**

A sum of money given to bind a sale of real estate - also called earnest money.

**DEPRECIATION**

A loss or decrease in the value of a piece of property due to age, wear and tear or unfavorable changes in the neighborhood; opposite of appreciation.

**EQUITY**

A buyer's initial ownership interest in a house that increases as he/she pays off a mortgage loan. When the mortgage is fully paid, the owner has 100 percent equity in his/her house.

**ESCROW**

Money or document held by a third party until all the conditions of a contract are met.

**ESCROW ACCOUNT**

That part of a borrower's monthly payment held by the lender to pay for taxes, hazard insurance, mortgage insurance and other items until they become due. Also known as impounds or reserves in some states.

**FINANCE CHARGE**

The total of all charges one must pay in order to get a loan.

