SPEAK THE LANGUAGE

The Terms You'll Hear on Every Deal

Your quick-reference glossary — the people, contracts, money, and paperwork terms that come up on nearly every transaction. Come back to this section whenever a term catches you off guard.

Who's Who · Contracts · Financing · Title & Property · HOA & Condos · Inspections · Closing

THE PLAYERS

Who's who on your transaction

Every deal runs through the same cast of professionals. Know what each one actually does.

TA

Title Agent

Confirms clear ownership & issues title insurance

LO

Lender / Loan Officer

Underwrites & funds the buyer's mortgage

ATT

Real Estate Attorney

Reviews contracts & may run closing (state-dependent)

ESC

Escrow Officer

Neutral 3rd party holding funds until closing

APR

Appraiser

Independently confirms the home's market value

INS

Home Inspector

Evaluates the property's condition & systems

TC

Transaction Coordinator

Manages paperwork, deadlines & communication

HOA

HOA Management Co.

Administers community rules, dues & disclosures

Contract & contingency terms

Contingency

A condition that must be met for the deal to move forward. If it isn't, the buyer can typically cancel and keep their earnest money.

Inspection Contingency

Gives the buyer the right to inspect the home and negotiate repairs, credits, or cancel based on what's found.

Appraisal Contingency

Protects the buyer if the home appraises below the contract price.

Financing Contingency

Protects the buyer if their loan falls through despite a good-faith effort to qualify.

Earnest Money Deposit (EMD)

A good-faith deposit showing the buyer is serious; applied toward closing costs or the down payment at close.

Due Diligence / Option Period

A window (state-dependent) where the buyer can walk away for almost any reason, sometimes for a small fee.

Amendment vs. Addendum

An amendment changes terms already in the contract; an addendum adds a new term or document to it.

Escalation Clause

Automatically increases the buyer's offer up to a set cap if a competing offer comes in.

Money & financing terms

Proof of Funds (POF)

For cash offers: a recent bank/brokerage statement or signed bank letter covering the offer amount. It should be recently dated and match the offer. Even if the seller doesn't request it, LPT compliance still requires proof of funds to be loaded to the file.

Pre-Approval

A lender's early opinion of what a buyer likely qualifies for, based on reviewed income, assets, and credit. Fast — but not a guarantee.

DU / AUS (Desktop Underwriter)

Fannie Mae's automated underwriting system. Runs the full file against real guidelines and issues the conditions needed to actually fund.

Clear to Close (CTC)

Every lender condition has been satisfied and the loan is ready to fund.

Cash to Close

The total dollars the buyer must bring to closing — down payment plus closing costs, minus credits.

Loan Estimate (LE)

An early, good-faith estimate of loan costs the lender sends shortly after application.

Closing Disclosure (CD)

The final, legally binding breakdown of loan terms and costs. On any financed file, the lender is required to deliver the CD to the borrower at least 3 business days before closing — this is federal law, not a courtesy. A late CD, or certain last-minute changes, restarts the 3-day clock and pushes your closing.

DTI (Debt-to-Income Ratio)

The percentage of a borrower's income that goes toward debt payments — a key underwriting number.

LTV (Loan-to-Value) / PMI

LTV compares the loan to the home's value; a high LTV (low down payment) usually triggers PMI, extra insurance protecting the lender.

Loan Commitment Contingency

The contract deadline by which the buyer must receive the lender's formal loan commitment letter — a step beyond pre-approval or DU. Missing this date without an extension can put the buyer in default.

Types of mortgages, explained

The loan type shapes what a buyer can qualify for and which buildings will even work for them.

Conventional Loan

Not government-backed; follows Fannie Mae / Freddie Mac guidelines. Typically needs stronger credit and a higher down payment than government-backed options.

FHA Loan

Government-insured through HUD. Down payments as low as 3.5% with more flexible credit — but the property itself must meet FHA condition standards.

VA Loan

For eligible veterans, active-duty service members, and some surviving spouses. Often 0% down with no PMI, but the property must meet VA minimum requirements.

Jumbo Loan

For loan amounts above the conventional conforming limit. Usually requires stronger credit, a larger down payment, and more cash reserves.

QM (Qualified Mortgage)

A loan that meets federal ability-to-repay standards — full income documentation, standard debt-to-income limits. The most standard underwriting path.

Non-QM Loan

Doesn't meet strict QM guidelines. Common for self-employed buyers, bank-statement income, foreign nationals, or unique credit situations — more flexible, usually a higher rate.

DSCR Loan (Debt Service Coverage Ratio)

An investor loan qualified off the property's rental income covering the mortgage payment, not the buyer's personal income. Popular for investment purchases.

GOOD QUESTION

Pre-approval vs. DU — what's the real difference?

Both get called "approved." They are not the same thing — and the gap matters when you're advising a seller on offer strength.

PRE-APPROVAL

- Based on stated/reviewed income, assets, and a credit pull
- The loan officer's professional opinion of what a buyer likely qualifies for
- Usually issued in minutes to a day
- Good enough to write a competitive offer
- Still subject to full underwriting later

DU / AUS APPROVAL

- Runs the full file through Fannie Mae's actual underwriting engine
- Verifies income, assets, credit, and debts against real guidelines
- Issues a list of conditions that must be met to fund
- A much stronger, closer-to-final signal
- What "Clear to Close" is ultimately built on

Bottom line: a pre-approval gets a buyer in the door. A DU approval means the file has actually been underwritten — ask the lender which one you're holding before you tell a seller how strong your buyer is.

How HOA dues affect your buyer's qualifying power

Lenders count HOA or condo dues as a monthly obligation in the buyer's debt-to-income ratio, exactly like a mortgage payment. That means the HOA fee itself changes how much home your buyer can actually qualify for — not just what they can afford to pay each month.

- Low or no HOA dues leave more room in the buyer's DTI, which can qualify them for a higher purchase price
- High HOA dues eat into that same DTI room, which lowers the loan amount they'll qualify for — even on a lower-priced home
- Two homes at the same list price can produce two very different approval amounts once the HOA due is factored in
- Always ask about the HOA/condo fee early, and have your buyer run realistic numbers with the lender before writing an offer

A $150/month difference in HOA dues can be the difference between an approval and a denial — bring the HOA fee into the qualifying conversation as early as possible.

Reading a condo budget: what agents should know about reserves

Lenders don't just underwrite your buyer on a condo purchase — they underwrite the building too. The association's budget and reserve study are part of that file, and a weak one can sink a loan even when your buyer is fully qualified.

- Reserves are the funds an association sets aside for major future repairs — roofs, elevators, structural work, painting, paving
- Lenders want to see reserves that are adequately funded, generally at or near 10%+ of the annual budget, with no major deferred maintenance
- Underfunded reserves are a red flag for upcoming special assessments — money your buyer could be on the hook for right after closing
- This isn't your job to underwrite — that's the lender's and the association's — but understanding it helps you set expectations and catch a red flag before your buyer falls in love with a unit that won't finance

If a building has a history of special assessments or a reserve study showing it's underfunded, tell your buyer before they write the offer, not after the appraisal comes back.

LENDER GUIDELINES

Warrantable vs. non-warrantable condos

Condo lending guidelines have tightened recently — this determines whether a buyer can even get conventional financing on a unit.

WARRANTABLE

The building meets Fannie Mae / Freddie Mac guidelines — enough owner-occupancy, adequate reserves, no single entity owning too many units, no major litigation. Buyers can get standard conventional financing.

NON-WARRANTABLE

The building fails one or more of those guidelines — too many investor-owned units, an HOA in litigation, low reserves, short-term rentals allowed, or a single owner with too many units. Buyers usually need a specialty non-warrantable loan, often at a higher rate.

QUESTIONS TO ASK THE ASSOCIATION EARLY

- What % of units are owner-occupied vs. investor-owned?
- Is any single person/entity (including the sponsor) over 10% of units?
- Is the association involved in any current or pending litigation?
- Are short-term rentals allowed, and are reserves fully funded?

Get on a call with a lender — this knowledge scores you the lead

Underwriting isn't your job — but understanding the basics of how lenders evaluate a buyer and a building helps you guide your client to the right property the first time, instead of writing an offer that falls apart in underwriting.

- Schedule a call with a preferred lender and ask them to walk you through their loan programs — conventional, FHA, VA, jumbo, non-QM, DSCR
- Ask what down payment each program actually requires, and how that changes by property type (condo, single-family, multi-family, non-warrantable building)
- Ask which buildings or building types they've had trouble financing recently — non-warrantable condos, low owner-occupancy, litigation, low reserves
- The more programs you understand, the faster you can match a buyer to the right building instead of finding out it won't finance after you're already under contract

Knowing a building's basic financing profile before you show it saves your client a canceled contract — and saves you a wasted showing.

What title actually does behind the scenes

Title work starts the moment you're under contract and runs in parallel with everything else — you don't usually see it, but it's what makes sure the property can actually transfer clean.

- Title search — searches public records for the property's full ownership history and any existing claims against it
- Lien search — checks for unpaid taxes, mortgages, judgments, or contractor liens that have to be cleared before closing
- Estoppel letter — for condos/HOAs, an official statement from the association confirming dues owed, pending assessments, and account status
- Municipal lien search — checks the city/county for code violations, permit issues, or unpaid utility balances tied to the property
- Clearing title — resolving anything the searches turn up so the buyer receives clean, insurable ownership

Title will typically send an ALTA settlement statement 1–3 days before closing — it lists every dollar owed and exactly what's being paid out of the seller's proceeds. Review it closely before closing day.

Property & title terms

Survey

A licensed surveyor's drawing of the property's legal boundaries, structures, and easements.

Title Search

Research into public records confirming legal ownership and surfacing any claims against the property.

Title Commitment

A preliminary promise to issue title insurance, listing what has to be cleared first.

Title Insurance

Protects against title defects. An owner's policy protects the buyer; a lender's policy protects the lender.

Deed

The legal document that transfers ownership — most commonly a General Warranty Deed.

Lien

A legal claim against the property for unpaid debt — city/county tax liens, mechanic's liens, judgment liens — that must be cleared before or at closing.

Easement

Another party's legal right to use part of the property, like utility lines or a shared driveway.

Encroachment

When a structure — a fence, shed, or driveway — crosses onto a neighboring property's line. Often discovered on a survey.

Chain of Title

The historical record of every past owner of the property.

ALTA Settlement Statement

The itemized closing statement from title showing every dollar in the transaction — purchase price, deposits, loan amounts, prorated taxes and HOA dues, commissions, and all fees for both sides. You'll typically receive it 1–3 days before closing; review it and confirm your commission and the transaction fee are correct before your client signs.

HOA & condo association terms

HOA Dues

Recurring fees paid to the association for the upkeep of shared amenities and common areas.

Special Assessment

An extra, one-time charge to owners for a major expense the reserve fund doesn't cover.

CC&Rs

Covenants, Conditions & Restrictions — the rules governing what owners can and can't do with their property.

Bylaws

The association's internal operating rules — board elections, meetings, voting procedures.

Rules & Regulations

Day-to-day community policies — pets, parking, rentals, noise.

Reserve Study

An analysis of the association's savings set aside for future major repairs.

Meeting Minutes

Records of recent board meetings — check here for upcoming assessments or disputes.

Resale Certificate / Estoppel Letter

An official statement of dues owed, pending assessments, and the association's financial health, required before closing.

Inspections & property condition

Home Inspection

A general visual inspection of the home's major systems and structure.

WDO / Termite Inspection

A wood-destroying organism inspection, often required by lenders before closing.

Radon Test

Measures radon gas levels in the home.

Septic & Well Inspection

Required when a home isn't connected to city water or sewer.

Seller's Disclosure

The seller's written statement of known property defects.

Repair Addendum

The negotiated agreement on what the seller will fix — or credit — after inspection.

As-Is

The seller won't make repairs, though the buyer typically still has the right to inspect and negotiate or cancel.

Certificate of Occupancy (CO)

Official proof a property meets code and is legal to occupy.

Escrow & closing terms

Escrow

A neutral third party holding funds and documents until every condition of the contract is met.

Closing / Settlement

The final meeting — or digital process — where documents are signed and ownership transfers.

Post-Occupancy / Rent-Back

The seller stays in the home and pays the buyer rent for an agreed period after closing.

Final Walk-Through

The buyer's last inspection before closing to confirm the home's condition hasn't changed.

Prorations

Dividing costs like property taxes and HOA dues between buyer and seller based on the closing date.

Settlement Statement (ALTA)

The itemized statement of every dollar exchanged in the transaction.

Recording

Filing the deed and other documents with the county to make the transfer official.

Wire Fraud Warning

Always verify wiring instructions by phone using a known number before sending closing funds — never trust email alone.

TERMS TO KNOW

Buyer concessions

A negotiation tool that shows up constantly — make sure you can explain it in one sentence.

A buyer concession is something the seller agrees to give the buyer at closing — usually money — instead of (or in addition to) fixing something or dropping the price. It's paid out of the seller's proceeds and shows up as a credit on the closing statement.

- Credit toward the buyer's closing costs or prepaids
- Repair credit in lieu of the seller actually making a fix
- Rate buy-down credit, applied to lower the buyer's interest rate
- Home warranty paid for by the seller

Lenders cap how much sellers can credit a buyer based on loan type and down payment — always confirm the max allowable concession with the lender before you negotiate one into an offer.

TERMS TO KNOW

Seller credit/concessions

The cap depends on the loan type — and doing the math on it can put more money in your seller's pocket.

A seller concession is the amount a seller agrees to contribute toward the buyer's closing costs, credited at closing. Each loan type caps how much a seller is allowed to give — and going over that cap doesn't help the buyer, because the extra isn't usable.

- FHA loans allow seller concessions up to 6% of the purchase price — but actual closing costs usually run closer to 4%, so asking for the full 6% can leave money unused
- If a seller is willing to give 6%, it can be smarter to structure the offer around 4% in concessions and lower the purchase price by the difference — money earmarked for closing costs that isn't actually used goes back to the seller, not to the buyer
- Seller concessions can never be applied toward the buyer's down payment — they only cover closing costs and prepaids. The down payment itself must come from the buyer, unless they're using a down payment assistance program
- Conventional loans cap seller contributions at 3% for buyers with less than 10% down (the allowed percentage rises with a larger down payment, so always confirm the exact cap with the lender)

Always run the actual closing cost numbers with the lender before writing the offer — asking for more concession than is needed just leaves money on the table instead of in your seller's pocket.

Understanding gift letters

When a buyer's deposit, escrow, or closing funds come from someone else, the lender needs it documented — and timed right.

A gift letter is a signed document from the person giving a buyer money for their deposit, down payment, or closing costs, confirming it's a gift and not a loan that has to be repaid. Lenders require one any time funds in the buyer's account don't clearly come from their own income or assets.

- The letter typically states the donor's name, their relationship to the buyer, the dollar amount, the property address, and confirms there's no expectation of repayment
- Lenders will also want the paper trail — where the money came from in the donor's account and how it moved into the buyer's account
- This applies to funds for the deposit/escrow, the down payment, or general closing costs — any large or unexplained deposit can trigger a lender request for documentation
- Timing matters: moving money between accounts too close to closing, or in the wrong order, can delay or jeopardize the loan

Always seek your lender's guidance before transferring any funds from one account to another — the wrong move at the wrong time can hold up closing, even when the money itself isn't a problem.