

**A** *to* **Z**  
*of Real Estate*



Presented by the  
Denver Metro Association of Realtors®

# A

**Above grade finished:** The portion of a home that is above the ground, i.e. the livable or finished square footage.

**Active listings:** The number of properties available for sale at the end of a reported period. The availability of homes for sale has a big impact on supply and demand dynamics and home prices.

**Adjustable-rate mortgage (ARM):** A mortgage loan with an interest rate that can change based on market fluctuations throughout the loan's lifetime.

**Amenity:** The bonus features/perks that you as a resident get to enjoy and your neighbors are envious of. Some examples include a fitness center, swimming pool, sauna, dog washing station, etc.

**Amortization:** Spreading out your loan into a series of separate fixed payments. A portion of each payment goes toward your interest costs and some goes toward your loan balance. You pay less toward your interest with each payment, which is different from just a simple interest loan.

**Apartment:** Any residential unit inside a building (which can be a house, townhouse, large apartment building or a condominium). The key difference between a condo and an apartment is that condos are owned and apartments are rented.

**Appraisal:** What an appraiser says a home is worth. This value is based on how much comparable homes recently sold for in the neighborhood.

**Appraisal contingency:** Very important protection for the buyer! This is how you make sure that the property is actually valued at the price that was agreed-upon per the contract. If the property ends up appraising for less than the agreed-upon amount, the contract can be terminated.

**Appraisal gap coverage:** The difference between the contract price which covers an agreed-upon difference between the purchase price and appraised value. This is often used to accommodate appraised values that aren't able to keep up with fair market value.

**Appraisal Management Company (AMC):** An AMC works as a middleman between real estate appraisers and lenders. They are an independent management company that acts on behalf of appraisal users.

**Appraiser:** A licensed individual who analyzes comparable sold properties to determine the fair market value of a property.

**Area total:** The total area square footage of a property.

**As-is:** The seller is selling the property or home in its current condition - i.e. they are not going to make any repairs or changes before the sale. Heads up, sellers don't usually use the term "as is" if the listing is in perfect condition so this may be a red flag or it may be a great opportunity.

**Assessed value:** The value assigned to a property that is used to determine its property tax rate.

**Attached home:** A structure that shares a common wall or walls with another unit. Examples include townhomes, condominiums, row houses, apartment buildings and high-rise residential towers.

## B

**Basement:** The lowest story of a building - it might be partially or entirely below ground level and might be finished, unfinished or a mix of the two.

**Bilevel (or bi-level):** Not to be confused with a split-level, a bi-level, also known as a raised ranch, has two (bi) levels with an entrance between the two floors.

**Blind offer:** An offer made by a buyer who has not yet visited the property in-person.

**Boiler:** Circulates hot water or steam through some sort of radiator system to generate heat.

**Buyer's agent:** A Realtor®, real estate agent or real estate broker who works with a buyer and guides them through the process of purchasing a home. A buyer's agent works to ensure the buyer is getting the best possible deal and is legally obligated to protect the interests of the buyer.

# C

**Capitalization rate (or cap rate):** A rate that helps in evaluating a real estate investment. The cap rate equals the net operating income divided by the current market value (i.e. sales price) of the asset. The cap rate shows the potential rate of return on the real estate investment.

**Carport:** A covered parking structure with open sides that protects the top of the car parked underneath it.

**Cash reserves:** Money that is set aside or saved by an individual or business to use in case of an emergency.

**Closed listing:** Real estate isn't officially "sold" until the actual transfer of the property has taken place and consideration has been paid. Once that has taken place, the property is "closed" and belongs to the new owner.

**Closing (also referred to as completion or settlement):** The final step in executing a real estate transaction, which includes finalizing mortgage agreements, paying applicable transaction fees and signing on the dotted line to close the deal.

**Closing costs:** The fees due at the closing of a real estate transaction. Both the buyer and seller will incur expenses during the closing process including application fees, inspection fees, homeowner's insurance, property taxes and the agent commission for the seller's portion of the transaction.

**Coming Soon:** A property that is not officially on the market but is expected to be listed for sale.

**Commercial lease:** The same as any other lease but the commercial part specifies that this is for business activity and not housing. In other words, it's a contract for a business to rent an office space or a commercial property.

**Commission:** The payment made directly to a Realtor®, real estate agent or real estate broker for the services they provide in the sale or purchase of a property. It's usually a percentage of the selling price, but it can also be a flat fee.

**Comparable (or comp):** A recently sold property is used to determine the value of a similar property. Comparables are often used to find the fair value of a home.

**Comparative market analysis:** A process used to determine the value of a home based on the sales prices of similar properties in the area.

**Condominium (or condo):** An individual unit located within a building that primarily features shared walls. They are very similar to apartment units but are owned instead of rented.

**Concession:** A benefit or discount offered by the buyer or seller to help sell a home.

**Contingency:** A condition that must be met for a real estate contract to be finalized or closed.

**Contract:** A written and legally binding agreement between a buyer and seller outlining the details of a real estate transaction to change the ownership of a property.

**Conventional sale:** The sale that takes place when the property is owned outright (i.e. there is no mortgage remaining) or when the owner owes less on their mortgage than what the market indicates the owner could sell the property for.

**Counteroffer:** If you submit a counteroffer you are presenting the original offerer with three choices: accept the counteroffer, reject it or make a new offer.

**Covenants, Conditions & Restrictions (CC&Rs):** A set of limits and rules established by a builder, developer, homeowners association or neighborhood association that govern residences in a particular neighborhood or condominium building.

**Covered parking:** A covered parking structure that multiple cars can park under (e.g. a multi-level parking garage).

**Curb appeal:** What gives someone their first impression of a property or how we judge how attractive a property is from the sidewalk (i.e. before you even step inside).

# D

**Days in MLS (also referred to as Days on Market, or DOM):** The number of days from the date on which a property is listed for sale on the local brokers' multiple listing services (MLS) to the date when the seller has signed a contract for the sale of the property - basically it just measures how long it takes for a property to sell.

**Debt-to-income ratio:** All your monthly debt payments divided by your gross monthly income. This ratio is one way lenders measure your ability to manage the monthly payments to repay the money you plan to borrow.

**Deed of trust (or trust deed):** When you take out a loan to buy a property, depending on where you live, you'll probably sign a mortgage or a deed of trust. A deed of trust transfers the legal title of a property to a third-party (e.g. a bank, escrow company or title company) to hold until you as a borrower can repay the debt to the lender.

**Deeded parking:** A parking space that is deeded to either a townhouse or condominium unit as detailed in the legal description. This space is traditionally transferred to a buyer as a component of the sale; however, the seller can retain the rights to the parking space as a provision of the sale to either be sold or leased outside of the sale.

**Detached home (also called a single-family home):** A single-family home that sits on its own lot and does not share any walls with another home or building. Basically, this is another term for your traditional stand-alone house or single-family home.

**Down payment:** The amount of money that a buyer pays upfront as part of a real estate transaction. It is typically a percentage of the total of the home's purchase price.

**Down payment assistance:** Assistance from a local or state housing authority, a nonprofit or a lender to help a buyer with their down payment on a mortgage loan.

**Due diligence:** Doing your homework before buying real estate. It refers to a buyer's investigation of the various aspects of a property, either before making an offer or (more often) within a specific time frame between entering into the contract and closing.

**Duplex:** A property where two units are attached either side by side (like a townhouse), or above each other (like apartments).

# E

**Earnest money:** Money the buyer puts down to show the seller that they are serious about purchasing the home or property.

**Equity:** One of the biggest perks of homeownership is building equity, which is a measure calculated by taking the market value of a property and deducting the amount that is still owed on the mortgage, if any.

**Escrow:** An arrangement in which a neutral third-party provider holds the funds associated with a real estate transaction until a specific condition is met. *Note: Colorado is a hard-money closing state meaning that any funds deposited as earnest money are applied to the down payments and all closing costs, deposits, credits, etc. are applied towards the final closing cost the day of closing.*

**Exclusive right-to-sell:** An agreement between a seller and a Realtor®, real estate agent or real estate broker that gives the agent exclusive rights to sell and market the seller's home.

**Exclusive right-to-buy:** Many agents ask prospective buyers to sign an exclusive right-to-buy agreement before the agent shows the buyer homes. A buyer who signs it promises not to work with other brokers.

**Expired:** A property that has not sold by the end of the period specified in the contract between the seller and the listing agent.

**Estate:** A property that is being sold by the executor of an estate for a homeowner that has passed and is no longer in ownership.

**Exclusion:** Items that are excluded from the sale of a home or property. These may include appliances, chandeliers, electronics, furniture and/or personal property.

# F

**Flipping:** The process of selling a home shortly after purchase to turn a profit by making cosmetic updates and upgrades.

**Foreclosure:** When a homeowner fails to pay the mortgage, the home goes to foreclosure. The mortgage lender will then resell the property in an attempt to recover their losses.

**FHA (Federal Housing Administration) loan:** A mortgage that is insured by the Federal Housing Administration (FHA) and issued by an FHA-approved lender. FHA loans are designed for low-to-moderate-income borrowers - they require a lower minimum down payment and lower credit scores than many conventional loans.

**Fixed-rate mortgage:** A home loan with an interest rate that stays the same throughout the loan's lifetime.

**Fair market value (FMV):** The benchmark of property value. It's the price a buyer is willing to pay for the property and what the seller is willing to accept. This occurs when neither party is desperate to make a sale and both are knowledgeable about the home's good and bad points.

**For sale by owner (FSBO):** A property listed for sale by the homeowner without the representation of a real estate agent or Realtor®.

**For sale by agent:** A property listed for sale by a real estate agent or Realtor® who is listing their own property sale on the open market.

**Fix-up /fixer:** A property that requires repairs and updates to make it either livable or up to modern standards for occupancy.

# G

**Garage:** A closed, four-sided structure with a retractable door that houses a car, motorcycle or recreational vehicle.



**Garden level (or garden level basement):** A term for apartments that aren't truly basement level but aren't on the first-floor either. If you are standing in a garden level unit, you can expect the windows to be at street level.

**Great room:** The heart of a home built with an open floor plan, where a single space contains the living room/family room as well as the dining room.

## H

**High-rise:** A building that vertically rises at least seven stories.

**Historical district:** A protected area that falls under historical governance. Any exterior changes (such as additions, paint color, window replacements, etc.) made to a building that falls within a historical district requires prior approval.

**Home warranty:** A contract with a home warranty company that insures a homeowner with discounted repair and replacement service on major home functionality, such as plumbing and electric.

**Homeowner's association (HOA):** A coalition of homeowners in a residential community that establishes rules that the property owners must adhere to. Joining an HOA is a bit like sacrificing some control over your property to regulate that of your neighbor.

**Homeowners association fee:** A monthly due paid by homeowners living within an HOA community to help maintain all properties, amenities and common areas within the association.

**Homeowners insurance:** Insurance that covers losses and damages to a homeowner's home and home assets. It also provides liability coverage against accidents in the home or on the property.

## I

**iBuyer:** A real estate investment company that specializes in making quick cash offers on homes (almost certainly to the detriment of your close price).

**Inclusions:** Any removable home asset that the seller has thrown into your contract, possibly to sweeten the deal or to save them the hassle of removing it.

**Inspection:** A professional examination of a property's condition, usually paid for by a buyer before closing.

**Interest (or interest rate):** The percentage of your mortgage payment that is paid to your lender. This can be a fixed or fluctuating (adjustable) rate.

**Irrigated lot:** A property that includes irrigation rights to a well or other water source.

**Irrigation well:** A well that is located within the lot of a property that services the irrigation on a property such as a sprinkler.

## K

**Kick-out clause (also referred to as the right of first refusal):** A contractual article that gives sellers the ability to continue marketing a house if the offer received contains contingencies or conditions. One of the most common contingencies is that the buyers must sell their current home. A kick-out clause allows the seller to "kick out" a buyer with contingencies (after a certain period of time) if a better offer comes around. *Note: These are rare but they do apply within Colorado neighborhoods. Talk with your Realtor® before submitting an offer to verify the property you have identified is, or is not, part of a "kick out" clause.*

## L

**Landscape:** The aesthetic or functional manipulations to the grounds of a property. This includes most outdoor alterations such as gardens, pavers and paths.

**Lease:** A contract detailing the terms of a rental property agreement between a landlord and a tenant.

**Lien:** A right to keep possession of a property belonging to another person until a debt owed by that person is discharged either from a mortgage or a lien placed on a property for work/updates performed that have not been paid in full.

**Listing:** A property that is up for sale on the open market via the local multiple listing service (MLS).

**Listing agent (also called a seller's agent):** A real estate agent or Realtor® who works on behalf of a property owner to help them get the most out of their sale.

**Listing agreement:** A legally binding contract that allows a real estate agent or Realtor® to sell a property on behalf of the property owner.

**Loan:** The amount a buyer can borrow from a bank, private lender or third-party lender for market interest rates to purchase a property available for sale.

## M

**Manufactured home:** You might have heard people call these “mobile homes” but these are now known as manufactured homes, which are homes that are constructed primarily or entirely off-site at factories and then assembled on site.

**Master-planned community:** An amenity-rich residential neighborhood that was strategically designed to optimize the living experience of the residents.

**Mid-rise building:** A building that has five to 12 floors.

**Model home (also called a show home):** A “display-only” home that is used to tour potential residents of a subdivision. Until every other home is sold, no one will live there.

**Months of inventory (MOI):** A measure of how balanced the market is between buyers and sellers. It is expressed as the number of months it would hypothetically take to sell through all the available homes for sale currently, given current levels of home sales. A balanced market ranges from four to six months of supply. A buyer's market has a higher number and a seller's market has a lower number.

**Mortgage:** A long-term loan agreement (usually 30 years) that pays off the cost of the purchased property in monthly installments - it's like a rent payment that doubles as a retirement investment.

**Mortgage broker:** A middle-man who shops around for a mortgage on behalf of a borrower, looking for the best possible deal.

**Mortgage insurance:** An insurance policy that kicks in if the borrower is unable to make their payments. Often a lender will require this if the down payment is too small.

**Mudroom:** A small room or entryway specifically designed for removing footwear, which often also doubles as a bonus storage room.

**Multi-family property:** A residential building that occupies more than one household in different units.

**Multiple listing service (MLS):** A collaborative digital marketplace where home sellers - through their agents - present their homes for sale to other agents who work with buyers of those homes. The MLS provides accurate, up-to-date information about the status of local listings.

## N

**Net operating income (NOI):** A value that determines how much profit a real estate property generates.

**New listings:** The number of properties that became available during a reported period.

## O

**Offer:** A document outlining the proposed terms and conditions of a real estate transaction. This is where a skilled Realtor® can negotiate the best outcome for their client.

**Off-street parking:** It means you can probably skip the parallel parking! Off-street parking is any parking spot not on the side of the road. This includes private lots, garages and driveways.

**Open house:** A time when a seller opens their home so that potential buyers can view it.

**Open listing:** When there is no exclusive agreement with any one agent. The seller may be working with multiple agents at once.

**Open space (also called green space):** Any piece of undeveloped, publicly accessible land.

# P

**Partial basement:** If a basement is “partial,” it means it does not continue beneath the entire home. In other words, the square footage of the basement level does not match that of the floor above it.

**Patio home (also called a cluster home):** Like townhomes, patio homes are connected to other units with shared walls. The main difference between the two is size. While townhomes have at least two stories, patio homes have no more than one and a half stories.

**Pending:** If a sale is pending, it means the offer has been accepted, but the official closing has not gone through. A home may stay in pending status for several weeks.

**Personal property:** If you can pack it up and take it with you when you move, it is considered personal property.

**Pocket listing:** A property that is on the market without being made public. The National Association of Realtors® has recently banned this practice in the interest of fair housing.

**Post closing occupancy agreement:**

This allows the seller to continue living in their home after closing the sale for a pre-determined amount of time. This may include the seller paying the buyer rent or the buyer may offer a rent-free agreement to strengthen their offer and give the seller flexibility when moving out.

**Pre-approval letter (also called a pre-qualification letter):** A document from a lender that expresses tentative willingness to approve the borrower for a loan up to a certain amount.

**Pre-approved:** A homebuyer status that indicates the buyer’s documents have been reviewed and they have been approved for a determined amount of money for their loan.

**Preliminary report:** A report prepared by a title insurance company before issuing a policy to ensure everything that needs attention is attended to.

**Pre-qualified:** A homebuyer status that indicates they have qualified for a loan of undetermined value.

**Principal:** The original sum borrowed to pay for a home. This figure does not include interest.

**Private mortgage insurance (PMI):** The difference between mortgage insurance and private mortgage insurance is that a PMI is specifically intended to protect the lender and will not cover the borrower if they cannot make payments.

**Probate sale:** This means that the homeowner died without a will bequeathing the house to an heir. In most cases, an estate attorney or representative has to sell the property to liquidate the asset and distribute the money to family members.

**Proof of funds (POF):** A document(s) that demonstrates a buyer has the ability and funds available for a specific transaction.

**Property tax:** A tax based on the value of property owned. Colorado has some of the lowest rates in the nation!

**Purchase and sale agreement (PSA):** The document which indicates an agreement has been made between buyer and seller. This outlines the final price and terms of the transaction.



**Quadruplex (or 4-plex):** A type of multi-family housing that specifically has four individual units.



**Real estate owned properties (REO):** Homes that have been foreclosed on or have fallen under the ownership of a mortgage lender or investor.

**Realtor®:** A Realtor® helps you navigate a tough market and guides you in making smart, informed decisions whether you're looking to buy or sell. Only Realtors® voluntarily subscribe to a Code of Ethics that is founded on professional service and fair treatment. When you're working with a Realtor®, you can trust their personal and professional commitment to ensure an agreement that is equitable and fair to all parties involved.

**Refinancing:** The process of securing a new mortgage deal for the remainder of the loan. If successful, the borrower will walk away with a lower interest rate.

**Relocation (or relo):** The sale of a home that is the direct result of a job transfer.

**Reverse mortgage:** Real estate is often a retirement plan as much as anything else, and this is one way to cash out. A reverse mortgage is an option for seniors (62 years or older) to relinquish home equity in exchange for money.

## S

**Seller disclosure:** A document presented to the buyer which details all known issues with a home as well as all the home improvement projects they have completed during their ownership.

**Short sale:** If the close price of a home is less than what is still owed on it, it is called a short sale.

**Split-level (also called a tri-level):** A home layout that has at least three levels that are staggered. The third level will be directly over the first while the second will be off to the side, connected to both by stairs.

**Staging:** Preparing and furnishing a home to attract buyers. Good staging will be simple, classy and broadly appealing.

## T

**Title insurance:** Title - the legal ownership of a property - can be more complicated than you may think. Title insurance protects both the buyer and the lender if the title of a property is disputed or split between parties.



**Title search:** The process of searching through public records to ensure that the seller of a property has full legal ownership to do so. If deficiencies or defects are found, it will greatly complicate the transaction.

## U

**USDA loan:** A loan backed by the United States Department of Agriculture available to rural Americans as part of their Rural Development Guaranteed Housing Loan program.

## V

**VA loan:** A mortgage option for veterans of the U.S. Armed Forces. They are partially backed or guaranteed by the Department of Veterans Affairs.

## W

**Withdrawn (or canceled):** A withdrawn listing is one that was once on the market but is no longer for sale. It may also refer to a buyer canceling their offer.

## Z

**Zillow's Zestimate:** Zillow's estimate of a home's value. It's important to know that Zestimates are not the same as an appraisal and they are not always accurate. According to Zillow, Zestimates are within 20 percent of the final sale price 82.5 percent of the time. This means that a Zestimate could be 20 percent higher or lower than a home's actual value.

**Zoning:** There are three primary types of zoning: residential, commercial and industrial. Based on zoning codes, only certain types of buildings or land usages will be allowed on a lot.