

## **GLOSSARY OF REAL ESTATE TERMS**

Buying or selling a home can be a little confusing. This glossary of some of the most common real estate terms that you are likely to encounter will help you better understand the language of real estate.

### **Adjustment Date**

The day from which all calculations of interest, tax adjustments, utility bill adjustments (if applicable) are made to the credit of the either the buyer or seller. This is usually (but not always) the same as the possession date.

### **Amortization**

The number of years it takes to repay the entire amount of the mortgage.

### **Appraised Value**

An estimate of a property's market value used by lenders in determining the amount of the mortgage.

### **Assessed Value**

The value of a property, set by BC Assessment, and used by the local municipality for the purposes of calculating property tax.

### **Buy-down**

When the seller reduces the interest rate on a mortgage by paying the difference between the reduced rate and the market rate directly to the lender or to the buyer.

### **Closing**

Completion of the real estate transaction when the parties involved agree that all legal and financial obligations have been met and the deed to the property is transferred from the seller to the buyer.

### **Closing Costs**

Expenses in addition to the purchase price for buying and selling a property.

### **Conveyance**

The term used to describe the process of transferring the seller's title to the buyer and indicates all the necessary steps to complete the transfer. This process is usually undertaken by a conveyancing lawyer (or notary) acting for the buyer.

### **Counter Offer**

An offer made by the seller back to the buyer altering one or several terms and/or conditions of the offer as originally written.

### **Debt Service Ratio**

The percentage of a borrower's income that can be used for housing costs. **Gross Debt Service (GDS) Ratio** is the amount that a lender will permit a borrower to use from his/her gross income in order to qualify for a loan for housing costs, including mortgage payment



and taxes (and strata fees when applicable). **Total Debt Service (TDS) Ratio** is the maximum percentage of a borrower's income that a lender will consider for all debt repayment (other loans and credit cards, etc.) including a mortgage.

**Deed**

A legal document that conveys (transfers) ownership of a property to a buyer.

**Easement**

A legal right to use or cross (right-of-way) another person's land for limited purposes. A common example is a utility company's right to run wires or lay pipe across a property.

**Equity**

The difference between the price for which a property can be sold and the mortgage(s) on the property; equity is the owner's stake in the property.

**Foreclosure**

A legal process by which the lender takes possession and ownership of a property when the borrower does not meet the mortgage obligations.

**Lien**

Any legal claim against a property filed to ensure payment of debt.

**Mortgage**

A contract between a borrower and a lender. The borrower pledges the property as security to guarantee repayment of the mortgage debt.

**Mortgage Insurance**

Government-backed or private-backed insurance protecting the lender against the borrower's default on high-ratio (and other types) of mortgages.

**Mortgage - Blended**

Equal or regular mortgage payments consisting of both a principal and an interest component.

**Mortgage - Conventional**

A first mortgage issued for up to 75 per cent of the property's appraised value or purchase price, whichever is lower.

**Mortgage - High Ratio**

A mortgage that exceeds 75 per cent of the loan-to-value ratio; must be insured by either the Canada Mortgage and Housing Corporation (CMHC) or by a private insurer to protect the lender against default by the borrower who has less equity invested in the property.

**Mortgage - Open**

A mortgage that can be prepaid or renegotiated at any time and in any amount, without penalty.



**Mortgage - Variable Rate**

A mortgage for which payments are fixed but whose interest rate changes in relationship to fluctuating market interest rates. If mortgage rates go up, a larger portion off the payment goes to interest; if rates go down, a larger portion of the payment is applied to the principal.

**Mortgage - Vendor Take-Back**

When sellers use their equity in a property to provide some of all of the mortgage financing in order to sell the property.

**Principal**

The mortgage amount initially borrowed or the portion still owing on the mortgage. Interest is calculated on the principal amount.

**Property Disclosure Statement**

This form enables sellers to disclose known material latent defects and other defects. The form also serves as a checklist for buyers enabling them to address concerns about the property's condition on the spot. The BC Real Estate Association developed the form. Submission of the form is required before any listing is placed on the Victoria Real Estate Board's Multiple Listing Service® (MLS®) system.

**Property Taxes**

Location and the value of the property as determined by BC Assessment affect this levy. Local government determines the rate of taxation. Property taxes are payable on an annual basis.

**Property Transfer Tax**

Payment to the provincial government for transferring the property from the seller to the buyer. Certain exemptions are available for first-time buyers.

**REALTORS®**

Real estate professionals licensed by the Real Estate Council of BC who are members of the Victoria Real Estate Board and the British Columbia and Canadian Real Estate Association. Only these professionals can call themselves REALTORS®.

**Rights-of-Way**

These are indicated on title and the Land Title Office; often for use of utilities or city or municipality in order to make repairs to pipes, etc. No permanent structure may be build on a right-of-way.

**Statements of Adjustments**

Closing statements in a real estate transaction which set out the sources of funds which make up the purchase price, adjustments to and from the purchase price, the final amount required from the purchase and the amount due to the seller. Lawyers will prepare a statement for the seller and the buyer.



**State of Title Certificate**

A copy of the title which lists charges against a property, e.g. liens, mortgages, rights-of-way, etc.

**Strata Common Property or Common Elements**

The portions of a strata development owned in common (shared) by the unit owners, e.g. pool exercise room, lobby, etc. A strata fee is charged to every unit owner for the use of the common property.

**“Subject-to” Clause**

A statement of a condition to be fulfilled before the contract will become firm and binding; must include a specific deadline for removal.

**Title**

The legal evidence of ownership in a property.

**Title Search**

A detailed examination of the ownership documents to ensure there are no liens or other encumbrances on the property and no questions regarding the seller’s ownership claim.

**Utility Taxes**

Examples may include water, sewer and garbage (may include recycling levies).

**Working with a REALTOR® Brochure**

A brochure given to prospective buyers and sellers that explains the different kinds of agency relationship that may be entered into with a REALTOR®.

**Zoning Regulations**

Strict guidelines set and enforced by municipal governments regulating how a property may or may not be used.

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