# Glossary of Terms

RESOURCES FOR NORTHERN COLORADO REAL ESTATE · BRY BARTON

Plain-language definitions for the terms you will encounter in a Colorado real estate transaction and the mortgage process.

## Contract Terms

Terms you will see in the purchase agreement and throughout a real estate transaction.

### 01 Purchase Agreement (Contract)

The official paperwork that says you want to buy a home at a specific price and under specific conditions. Once both the buyer and seller sign it, everyone is legally committed to moving forward, unless certain conditions are not met.

### 02 Earnest Money

A good-faith deposit you put down when you make an offer, usually 1% of the purchase price. It tells the seller you are serious. If the deal closes, it goes toward your down payment. If it falls through for a covered reason, you typically get it back.

### 03 Due Diligence / Inspection Period

A set window of time after your offer is accepted, usually 10 to 14 days, when you get to inspect the home top to bottom. If something comes up that you cannot live with, this is your chance to renegotiate or walk away.

### 04 Contingency

A condition that must be met for the sale to go through. Common ones include a satisfactory inspection, your financing being approved, and the home appraising at or above the purchase price. If a contingency is not met, you can typically cancel without penalty.

### 05 Inspection Objection

After the home inspection, this is the formal document you send to the seller listing the repairs or credits you are asking for. The seller can agree to fix everything, offer a credit, say no to all of it, or meet you somewhere in the middle.

### 06 Appraisal

An independent expert hired by your lender visits the home and gives their professional opinion of what it is worth. Lenders use this to make sure they are not lending more than the home is actually valued at. If the appraisal comes in low, it can affect how much you can borrow.

### 07 Title Insurance

A one-time insurance policy that protects you and your lender from any problems with the legal ownership of the home. Think of it as protection against someone showing up later claiming they have a right to the property due to an old debt, an error in the records, or an unknown heir.

### 08 Closing Costs

The collection of fees and expenses paid on the day you close. For buyers, they typically run 2 to 4 percent of the purchase price and include things like loan fees, title insurance, taxes, and attorney charges. For sellers, the biggest cost is usually the real estate commission.

### 09 Clear to Close

The green light from your lender saying everything has been reviewed and approved and you are officially ready to sign the final paperwork. Getting the clear to close is one of the last steps before you get your keys.

### 10 Under Contract

The buyer and seller have agreed on a price and terms and both have signed the contract. The home is no longer actively for sale, but the deal is not done yet. There are still inspections, financing, and other steps to get through before closing.

### 11 Wire Transfer

The most common way to send your down payment and closing costs to the title company on closing day. It is an electronic bank-to-bank transfer that moves the money directly and securely. Always confirm the wire instructions directly by phone before sending anything.

### 12 Deed of Trust

The legal document that ties your mortgage loan to your property. It gives the lender certain rights to the property if you stop making payments. Colorado is a deed of trust state, which means this is standard paperwork you will sign at closing.

### 13 Possession Date

The day the home officially becomes yours to move into. This is typically the same day as closing, but it can be negotiated. Sometimes sellers need a day or two to move out, or buyers are ready to move in immediately. It depends on what both sides agree to.

### 14 Commission

The fee paid to the real estate agents involved in the transaction. It is typically calculated as a percentage of the sale price and paid by the seller at closing from the proceeds. Your agent's job throughout the entire process is covered by this fee.

### 15 Listing

The formal record of a home for sale in the Multiple Listing Service, or MLS, the shared database that all agents use to find and share available homes. When a home is listed, it becomes visible to buyers and agents across the entire market.

### 16 Net Proceeds

What the seller actually walks away with after the sale is complete. You start with the sale price, then subtract the mortgage payoff, agent commissions, closing costs, and any repairs or credits given to the buyer. What remains is your net.

### 17 Seller Concession

When the seller agrees to cover some of the buyer's closing costs as part of the deal. It is a way to help a buyer who is short on upfront cash without actually lowering the sale price, though it effectively does the same thing.

### 18 HOA (Homeowners Association)

An organization that manages shared spaces and enforces rules in certain neighborhoods, townhome communities, or condo buildings. Membership is usually mandatory if the home is in an HOA community, and it comes with monthly or annual dues and a set of rules about what you can and cannot do with your property.

### 19 Disclosure

A legal requirement for sellers to share known information about the property, things like past water damage, previous repairs, or anything that might affect the value or desirability of the home. In Colorado, sellers are required to complete a detailed property disclosure form.

### 20 Counter Offer

When one party responds to an offer with different terms instead of simply accepting or rejecting it. A seller might counter with a higher price; a buyer might counter with a longer inspection period. A counter offer means the original offer is no longer on the table.

# Loan & Mortgage Terms

Terms you will encounter while shopping for and processing your home loan.

### 01 APR (Annual Percentage Rate)

The true yearly cost of your loan, including the interest rate plus most lender fees, expressed as one percentage. It is almost always higher than your interest rate alone, and it is the number to use when comparing offers from different lenders side by side.

### 02 PMI (Private Mortgage Insurance)

An extra monthly cost added to conventional loans when your down payment is less than 20%. It protects the lender, not you, in case you stop paying. Once you reach 20% equity in your home, you can typically request to have it removed.

### 03 Amortization

The schedule that shows how each monthly payment is split between principal and interest over the life of your loan. Early payments are mostly interest; later payments are mostly principal, even though your total payment stays the same the whole time.

### 04 ARM (Adjustable-Rate Mortgage)

A mortgage where your interest rate is fixed for an initial period, often 5 or 7 years, then adjusts periodically based on market rates. It usually starts lower than a fixed-rate loan, but your payment can go up or down after the fixed period ends.

### 05 DTI Ratio (Debt-to-Income Ratio)

The percentage of your monthly gross income that goes toward debt payments, including your future mortgage. Lenders use this number, alongside your credit score, to decide how much you can realistically afford to borrow.

### 06 Equity

The portion of your home you actually own, calculated as your home's current value minus what you still owe on the mortgage. It grows over time as you pay down your loan and as your home's value increases.

### 07 Fixed-Rate Mortgage

A loan where your interest rate stays exactly the same for the entire term, whether that is 15, 20, or 30 years. Your principal and interest payment never changes, which makes budgeting simple and predictable.

### 08 LTV Ratio (Loan-to-Value Ratio)

The percentage of your home's value that you are borrowing, calculated by dividing your loan amount by the home's appraised value. A smaller down payment means a higher LTV, which can affect your rate and whether PMI is required.

### 09 Rate Lock

An agreement with your lender that guarantees a specific interest rate for a set period of time, typically 30 to 60 days, while your loan moves through processing. It protects you from rate increases during that window, though you may pay a fee to extend it if closing takes longer.

### 10 Title Insurance

A one-time insurance policy that protects you and your lender from problems with the legal ownership of the home, such as an old debt, a records error, or an unknown heir showing up later with a claim to the property.

### 11 Underwriting

The process where your lender verifies everything in your loan file: income, assets, credit, and the property itself, to decide whether to approve your loan. It is usually the longest step in getting a mortgage, often taking one to three weeks.

### 12 Down Payment

The portion of the purchase price you pay upfront in cash, rather than financing through the loan. It typically ranges from 0% to 20% or more depending on the loan type, and a larger down payment usually means a lower monthly payment and less interest over time.

### 13 Pre-Approval

A formal review where a lender checks your credit and verifies your income and assets, resulting in a letter stating the maximum loan amount you qualify for. This is what sellers expect to see before accepting an offer, and it is a real commitment from the lender, not just an estimate.

### 14 Note Rate

The actual interest rate written into your loan agreement, the number used to calculate your monthly principal and interest payment. This is different from your APR, which also factors in fees.

### 15 Closing Disclosure

A standardized form your lender must give you at least three business days before closing, spelling out your final loan terms, monthly payment, and exact closing costs. Always compare it line-by-line against your original Loan Estimate to catch any changes.

### 16 Contingency

A condition that must be met for your loan or purchase to move forward, such as the home appraising at or above the purchase price, or your financing being formally approved. If a contingency is not met, you typically have the right to walk away without penalty.

Know the terms, know the process, buy and sell with confidence.

Bry Barton

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Glossary of Terms · a reference for Northern Colorado buyers and sellers