

GLOSSARY OF TERMS

Assessed Value – The value placed on a home by municipal assessors for the purposes of determining property taxes.

Chattels – Articles of personal property (i.e., a car, stereo, television, etc.) as opposed to real property.

Closing – The final steps in the transfer of property ownership. On the Closing Date, as specified by the Contract of Purchase & Sale, the buyer inspects and signs all the documents relating to the transaction and the final disbursements are paid. Also referred to as the Settlement.

Closing Costs – The costs required to complete a real estate transaction in addition to the price of the home. This may include: Property Transfer Tax, Tax Adjustments, Legal Fees, Penalties and Real Estate Commission.

Contingency – A clause in the purchase contract that describes certain conditions that must be met and agreed upon by both buyer and seller before the contract is binding.

Contract of Purchase & Sale – A detailed, written document which makes an offer to purchase a property and may be amended several times in the process of negotiations. When signed by all parties involved in the sale, the purchase offer becomes a legally-binding sales agreement.

Counter-offer – An offer, made in response to a previous offer, that rejects all or part of it while enabling negotiations to continue towards a mutually-acceptable sales contract.

Conventional Mortgage – One that is not insured or guaranteed by the federal government.

Debt-to-Income Ratio – A ratio that measures total debt burden. It is calculated by dividing gross monthly debt repayments, including mortgages, by gross monthly income.

Down Payment – The money paid by the buyer to the seller (held in Trust by the buyer's brokerage). The amount is the difference between the sale price and the mortgage loan. Requirements vary by loan type. Smaller down payments, less than 20%, usually requires mortgage insurance.

Equity – The value of the property, less the loan balance and any outstanding liens or other debts against the property.

Easements – Legal right of access to use of a property by individuals or groups for specific purposes. Easements may affect property values and are sometimes part of the deed.

Fixed-Rate Mortgage – A type of mortgage loan in which the interest rate does not change during the entire term of the loan.

Fixtures – A chattel attached to real property; anything that has become so attached to the land as to form, in law, part of the land.

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Home Inspection – Professional inspection of a home, paid for by the buyer, to evaluate the quality and safety of its plumbing, heating, wiring, appliances, roof, foundation, etc.

Homeowner's Insurance – A policy that protects you and the lender from fire or flood, and for liabilities such as visitor injury, or damage to your personal property.

Lien – A claim or charge on property for payment of a debt. With a mortgage, the lender has the right to take the title to your property if you don't make the mortgage payments.

Market Value – The amount a willing buyer would pay a willing seller for a home. An appraised value is an estimate of the current fair market value.

Mortgage Insurance – Purchased by the buyer to protect the lender in the event of default (typically for loans with less than 20% down). Available through a government agency like Canadian Mortgage and Housing Corporation (CMHC) or through private mortgage insurers (PMI).

Possession Date – The date, as specified by the Contract of Purchase & Sale, that the buyer can move into the property. Generally, it occurs within a couple days of the Closing Date.

Pre-Approval Letter – A letter from a mortgage lender indicating that a buyer qualifies for a mortgage of a specific amount. It also shows a home seller that you're a serious buyer.

Principal – The amount of money borrowed from a lender to buy a home, or the amount of the loan that has not yet been repaid. Does not include the interest paid to borrow.

Property Transfer Tax (PTT) – When you purchase or gain an interest in property in B.C. that is registered at the Land Title Office, you're responsible for paying property transfer tax. It is a payment made to the government for transferring property from the seller to the buyer and is a complex process that should be calculated by a professional.

Stress Test – As of January 2018, home buyers will need to qualify not only for the rate negotiated as part of their mortgage contract, but also at their current rate + 2%, or the average bank 5-year closed mortgage posted rate. By "stressing" the mortgage this way, banks will ensure that the borrower would be able to service their loan under pressure, should the interest rates climb higher than the current average.

Title – The right to, and the ownership of, property. A Title or Deed is sometimes used as proof of ownership of land. Clear title refers to a title that has no legal defects.

Title Insurance – Insurance policy that guarantees the accuracy of the title search and protects lenders and homeowners against legal problems with the title.

Title Search – A historical review of all legal documents relating to ownership of a property to determine if there have been any flaws in prior transfers of ownership or if there are any claims or encumbrances on the title to the property.

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