

Glossary of Terms

The following are some terms used during the process of purchasing or selling a home.

Adjustment Date The day from which all calculations of interest, tax adjustments, utility bill adjustments are made to the credit of either the buyer or the 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 when making regular payments.

Appraised Value A value placed on a property by the bank or financial institution to determine the maximum amount of a mortgage. (this may differ from market value)

Appreciation The amount of increase in value for a property over time.

Assessed Value A value placed on a property by the city or local municipality for the purposes of calculating property tax. (this may differ from market value)

Blended Mortgage Payments Regular payments that include both the principal and an interest component of a mortgage.

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 purchaser.

Closing The completion of the real estate transaction between the buyer and seller. All legal and financial obligations have been met and the title to the property is transferred from seller to the buyer.

Closing Date In most cases, the date which the sale of a property becomes final and the new owner takes possession.

Closing Costs The fees and charges incurred for selling a property and when buying the costs apart from the purchase price.

Condominium Common Property or Common Elements The portions of a condominium development owned in common (shared) by the unit owners, e.g.: pool exercise room, lobby, etc. A condo fee is charged to every unit owner for the use of the common property.

Condominium Ownership Shared ownership in a condo-titled property. Owners have title (ownership) to individual units and a proportionate share in the common property.

Conventional Mortgage A first mortgage issued for up to 80 per cent of the property's appraised value or purchase price whichever is lower.

Conveyance The process of transferring the seller's title to the buyer and indicates all the necessary steps to complete the transfer.

Counter Offer An offer made by the seller back to the buyer altering one or several terms and/or conditions of the offer.

Debt Service Ratio The percentage of a borrower's income that can be used for housing costs. Mortgage lenders use two calculations to help determine your eligibility for a mortgage.

Gross Debt Service (GDS) This is the percentage of your gross monthly income that will be used for mortgage payments, taxes and heating costs or - if you are buying a condominium - half of the monthly maintenance fees. As a general rule of thumb, your GDS ratio should not be more than 32% of your gross monthly income.

Total Debt Service (TDS) This is the percentage of gross monthly income required to cover monthly housing costs, plus all your other debt payments, such as car loans or leases, credit card payments, lines of credit payments and any other debt. Generally, your TDS ratio should not be more than 40% of your gross monthly income.

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

Easement A legal right to use or access (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 or the right to drive over a neighbour's shared driveway. **Rights of Way:** Are indicated on title at 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 built on a right of way.

Encroachment An intrusion onto an adjoining property. Common examples are a neighbour's fence, storage shed, or overhanging roofline that partially (or even fully) intrudes onto your property.

Encumbrance A registered claim for debt against a property, such as a mortgage.

Equity (Owner) The difference between the price for which a home could be sold and the total debts registered against the home. Owner equity usually increases as the outstanding principal of the mortgage is reduced through regular payments. Market values and improvements to the property also affect equity.

Foreclosure A legal process by which the lender takes possession and ownership of a property when the borrower doesn't meet the mortgage obligations.

High Ratio Mortgage A mortgage that exceeds 80 per cent of the loan-to-value ratio; must be insured by either the Canada Mortgage and Housing Corporation (CMHC) or a private insurer to protect the lender against default by the borrower who has less equity invested in the property.

Land Transfer Tax A payment made to the provincial government for transferring the title for property a property from the seller to the buyer. The buyer is generally responsible for paying this fee.

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

Maturity Date Is the balance due date shown on the mortgage form. On this date, all unpaid mortgage money is due and payable, or such earlier date on which the lender can lawfully require payment of the mortgage money.

Mortgage A contract between a borrower and a lender that provides security for a loan on the property that you own. The borrower pledges a property as security to guarantee repayment of the mortgage debt.

Mortgagee The bank or financial institution that provides the mortgage loan.

Mortgagor The borrower who pledges his property as security for the loan.

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 Prepayment Penalty Is a fee paid by the borrower to the lender in exchange for being permitted to break a contract (a mortgage agreement), usually three months' interest, but it can be a higher or it can be the equivalent of the loss of interest to the lender.

Mortgage Term This is the length of time the agreed upon interest conditions whether a fixed or variable rate, will remain. This is usually between one and five years. Once the term is up you will need to once again negotiate an interest rate and term for your mortgage as your amortization period will likely be longer than the term.

Multiple Listing Service MLS® A current & comprehensive listing system providing REALTORS® with information on all the properties listed for sale.

Open Mortgage A mortgage that can be prepaid or renegotiated at any time and in any amount without paying any penalty charges.

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

Property Disclosure Statement This form completed by the seller provides information regarding the condition of the home. It will disclose concerns about the property based on the Seller's knowledge and accuracy of his or her recollection. While the Seller is required to give true and accurate responses based on his or her knowledge, the responses do not constitute warranties as to the actual condition of the property.

Statements of Adjustments This will outline the amounts owed or credits included in the closing costs that are based on any adjustments for property taxes and interest or other housing costs that need to be adjusted with the transfer of home ownership. Lawyers will prepare a statement for the seller and the buyer.

State of Title Certificate A copy of the title which lists charges against the property, e.g.: liens, mortgages, rights of way, etc.

"Subject-to" Clause A statement of a condition to be fulfilled before the contract will become firm and binding. It must include a specific deadline for removal.

Title The document that provides legal evidence of ownership in a property.

Title- Freehold A freehold title is evidence of ownership of land and buildings for an indefinite period of time.

Title- Leasehold A leasehold title is evidence of a right to use and occupy land and buildings for a defined period of time. In a leasehold arrangement the actual ownership of the land (and perhaps the buildings) remains with the landlord.

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).

Variable-rate Mortgage 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 of the payment goes to interest. If rates go down, a larger portion of the payment is applied to the principal.

Vendor Take-back Mortgage When sellers use their equity in a property to provide some or all of the mortgage financing in order to sell the property.

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