

Buying your first home comes with a lot of new words and terminology. You don't need to know them all before you get started. This quick-reference guide covers some of the terms you're most likely to hear during the home-buying process.

You don't need to know them all. That's what we're here for.

A | Appraisal - An appraiser's professional opinion of a home's market value. Your lender will typically require an appraisal to make sure the property supports the amount being financed.

Appraisal Contingency - A provision that may allow a buyer to address a situation where the home appraises for less than the agreed purchase price.

B | Buyer's Agent - A real estate professional who represents the buyer's interests during the home purchase. Your buyer's agent can help you find homes, understand the market, write and negotiate an offer, navigate the transaction, and coordinate with other professionals involved in the purchase.

Buyer Agency Agreement - A written agreement that establishes the relationship between you and your real estate broker. Indiana law requires written buyer agency agreements for brokers representing buyer clients. Your agent will explain the agreement, including its terms and expiration date, before you sign.

C | Cash to Close - The amount the buyer needs to bring or have available to complete the purchase at closing after accounting for the down payment, closing costs, credits, deposits, and other adjustments.

Closing Costs - Expenses associated with completing the purchase of a home, in addition to the purchase price. They may include lender fees, title fees, recording fees, prepaid taxes and insurance, and other transaction-related costs.

Closing Disclosure (CD) - A document from your lender that outlines the final terms and costs of your purchase. Buyers generally receive it at least three business days before closing.

Contingency - A condition that must be met or satisfied as part of the purchase agreement. Common examples include financing, appraisal, and inspection contingencies.

Conventional Loan - A mortgage that is not insured or guaranteed by a government agency. Conventional loans are subject to the requirements of the particular loan program and lender.

D | Down Payment - The portion of the purchase price you pay upfront rather than financing through a mortgage. The amount required varies depending on the loan program and your circumstances. Some programs may also offer down payment assistance.

E | Earnest Money - A deposit submitted with an offer to show the seller that you are serious about purchasing the home. The purchase agreement determines how the deposit is handled and, if the transaction closes, it is typically applied toward the buyer's purchase costs.

F | FHA Loan - A mortgage insured by the Federal Housing Administration that may offer qualifying buyers options for a lower down payment.

Fixed-Rate Mortgage - A mortgage with an interest rate that remains the same for the life of the loan. A fixed-rate mortgage can be available with several types of loan programs.

H | Homestead Deduction - An Indiana property-tax deduction available to qualifying homeowners who use a property as their principal residence. It can reduce the assessed value used to calculate property taxes.

I | Inspection - An examination of the home's condition by a qualified home inspector. An inspection can help identify potential concerns with the home's structure, systems, and components. Buyers may also choose additional inspections or testing, such as radon, septic, well, or termite inspections.

L | Loan Estimate - A document provided by your lender after you apply for a mortgage. It gives you an estimate of your loan terms, monthly payment, and closing costs.

P | Pre-Approval - A lender's preliminary determination of how much you may be able to borrow based on information such as your income, assets, debts, and credit. A pre-approval can help you understand your price range before you begin making offers.

Pre-Qualification - An early estimate of how much you may be able to borrow, generally based on information you provide to a lender. A pre-qualification is typically less comprehensive than a pre-approval.

Private Mortgage Insurance (PMI) - Mortgage insurance that may be required with certain conventional loans when the buyer has a smaller down payment. PMI protects the lender—not the buyer—against potential loss if the borrower does not repay the loan.

Property Tax Proration - An adjustment made at closing to account for property taxes that apply to the period when the property was owned by the seller versus the buyer.

Purchase Agreement - The contract between the buyer and seller that outlines the terms and conditions of the home purchase. Once accepted and properly executed, it establishes the obligations of both parties.

S | Seller's Agent - The real estate professional who represents the seller in the transaction. The seller's agent works on the seller's behalf, including marketing the property and negotiating the terms of a sale.

Seller Concessions - Costs or expenses the seller agrees to pay on behalf of the buyer, when permitted by the loan program and purchase agreement. These may help a buyer with certain allowable closing costs or prepaid expenses.

T | Title - The legal right to ownership of a property. Before closing, a title search is generally completed to identify ownership history, liens, easements, or other matters that may affect the property.

Title Insurance - Insurance that can protect against certain covered title-related problems that existed before the policy was issued. Your lender may require lender's title insurance, while owner's title insurance may be available to protect the buyer's ownership interest.

U | USDA Loan - A government-backed mortgage program that may be available to qualifying buyers purchasing eligible properties in designated areas.

V | VA Loan - A mortgage program available to eligible veterans, service members, and certain surviving spouses, subject to program requirements.

W | Walk-Through - A final visit to the property shortly before closing. The buyer typically uses this opportunity to make sure the property is in the expected condition and that agreed-upon items remain with the home.

Remember: You Don't Have to Know It All.

Buying a home is a big step—and there will probably be terms, documents, and questions that aren't covered on this page.

That's okay. Ask us.

The HOME TEAM is here to help you understand the process, answer your questions, and connect you with the right professionals along the way.

The HOME TEAM Properties

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