Homebuying Guide Word Search

Answer Key

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10 Terms & Definitions

PREAPPROVAL Mortgage pre-approval is a lender's written commitment to loan a buyer a specified amount at certain terms, based on verification of income, assets, employment, and credit history. Pre-approval is stronger than pre-qualification (which is just an estimate) because the lender has	**ESCROW** Escrow is a neutral third-party arrangement that holds funds or documents until all conditions of a transaction are met. In real estate, escrow serves two purposes: (1) During purchase, it holds the buyer's earnest money deposit and ensures both parties fulfill their obligations
CLOSING Closing (or settlement) is the final step in the home purchase process where ownership officially transfers from seller to buyer. At closing, the buyer signs the loan documents, pays closing costs and the down payment balance, and receives the keys. Closing costs typically run 2–	**INSPECTION** A home inspection is a professional evaluation of a property's condition, typically conducted after an offer is accepted but before closing. A licensed inspector examines the structure, roof, electrical system, plumbing, HVAC, foundation, and other components. The buyer usually p
TITLE Title is the legal right of ownership to a property. Title insurance protects buyers and lenders against problems with the chain of ownership that might emerge after purchase — such as undisclosed liens, fraud, forgery in past deeds, boundary disputes, or missing heirs who claim	**CONTINGENCY** A contingency is a condition written into a purchase offer that must be satisfied for the sale to proceed. Common contingencies include: financing (the buyer must secure a mortgage), inspection (buyer can back out if major defects are found), appraisal (home must appraise at or a
APPRAISAL A home appraisal is a professional assessment of a property's market value conducted by a licensed appraiser. Lenders require appraisals to confirm the home is worth at least as much as the purchase price before funding a mortgage. Appraisers use the "sales comparison approach" —	**DOWNPAYMENT** The down payment is the upfront cash a buyer pays toward a home purchase, with the remainder financed by a mortgage. Conventional loans typically require 3–20%; FHA loans require 3.5% for buyers with 620+ credit scores. Putting at least 20% down eliminates private mortgage insura
PMI Private Mortgage Insurance (PMI) is required by conventional lenders when a buyer puts less than 20% down. PMI protects the lender (not the buyer) if the borrower defaults. It typically costs 0.5–1.5% of the loan amount annually — about $1,000–$3,000/year on a $300,000 loan. PMI	**EARNEST** Earnest money is a deposit made by a buyer when submitting a purchase offer to demonstrate serious intent and good faith. Typically 1–3% of the purchase price, earnest money is held in escrow and applied to the down payment or closing costs at settlement. If the buyer backs out w