FN HOME GROUP
Local Expertise. Elevated Experience.

FN Home Group Real Estate Dictionary

Your Plain-Language Guide to the Terms You'll Hear When Buying or Selling a Home in Southern Middle Tennessee

LOCAL EXPERTISE. ELEVATED EXPERIENCE.

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Brokered by Epique Realty • Tennessee License #372654 • July 2026 Edition

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Reading Time
~14 minutes

Edition
July 2026

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Adjustable-Rate Mortgage (ARM)

A mortgage with an interest rate that can change periodically after an initial fixed period, based on a market index, meaning payments may rise or fall over the life of the loan.

Amortization

The process of gradually paying off a loan through regular payments that cover both principal and interest, with more of each payment typically going toward interest early on and more toward principal over time.

Annual Percentage Rate (APR)

The yearly cost of a loan expressed as a percentage, including the interest rate plus certain fees, which allows borrowers to compare the true cost of different loan offers.

Appraisal

A licensed professional's independent estimate of a property's market value, typically required by a lender before approving a mortgage.

Appraisal Contingency

A clause in a purchase contract allowing the buyer to renegotiate or withdraw from the deal if the property appraises for less than the agreed purchase price.

As-Is

A sale condition meaning the seller will not make repairs or improvements before closing; the buyer agrees to purchase the property in its current condition.

Assessed Value

The dollar value a local tax authority assigns to a property, used to calculate property taxes; it may differ from the property's market value.

Assumable Mortgage

A mortgage that allows a qualified buyer to take over the seller's existing loan, including its remaining balance, interest rate, and terms, subject to lender approval.

Buydown

An arrangement in which a buyer, seller, or builder pays an upfront fee to temporarily or permanently lower the mortgage interest rate.

Buyer's Agent

A real estate professional who represents the buyer's interests throughout the home-buying process, from search through closing.

Buyer's Market

A market condition where the supply of homes for sale exceeds buyer demand, generally giving buyers more negotiating leverage.

Capital Gains

The profit realized from selling a property for more than its purchase price. Capital gains may be subject to taxation, so consult a tax professional for guidance specific to your situation.

Cash-Out Refinance

A refinancing option that replaces an existing mortgage with a new, larger loan, allowing the homeowner to receive the difference in cash.

Certificate of Occupancy

A document issued by a local government confirming that a building meets code requirements and is legally fit for occupancy.

Closing

The final step in a real estate transaction, when ownership officially transfers from seller to buyer and all required documents and funds are exchanged.

Closing Costs

Fees and expenses, beyond the purchase price, that buyers and sellers pay to complete a real estate transaction, such as lender fees, title fees, and recording fees.

Closing Disclosure

A standardized form provided to the buyer before closing that details the final loan terms, projected monthly payments, and closing costs.

Comparables (Comps)

Recently sold properties similar in size, location, and features to a subject property, used to help estimate its market value.

Comparative Market Analysis (CMA)

A report prepared by a real estate agent that compares a property to similar recently sold, active, and pending listings to help estimate an appropriate listing or offer price.

Contingency

A condition written into a purchase contract that must be satisfied for the transaction to move forward, such as a financing, appraisal, or inspection contingency.

Contract

A legally binding written agreement between a buyer and seller outlining the terms of a real estate transaction.

Conventional Loan

A mortgage not insured or guaranteed by a government agency, typically originated to standards set by private lenders or entities like Fannie Mae and Freddie Mac.

Counteroffer

A response to an offer that changes one or more of its terms, effectively rejecting the original offer and proposing new terms for the other party to consider.

Credit Score

A numerical rating based on a person's credit history that lenders use to help assess borrowing risk and determine loan eligibility and terms.

Curb Appeal

The overall attractiveness of a property as viewed from the street, which can influence a buyer's first impression.

2 D – F

Days on Market (DOM)

The number of days a property has been actively listed for sale, often used as an indicator of market activity or pricing.

Debt-to-Income Ratio (DTI)

A percentage comparing a borrower's total monthly debt payments to their gross monthly income, used by lenders to evaluate loan affordability.

Deed

A legal document that transfers ownership of real property from one party to another.

Deed of Trust

A legal document used in some states in place of a mortgage, in which a third-party trustee holds legal title to the property as security for the loan until it is repaid.

Default

Failure to meet the legal obligations of a loan or contract, such as missing mortgage payments, which can lead to foreclosure.

Disclosure

A written statement from a seller identifying known material facts or defects about a property that could affect its value or desirability.

Down Payment

The portion of a home's purchase price that a buyer pays upfront in cash, with the remainder typically financed through a mortgage.

Dual Agency

A situation in which one real estate agent or brokerage represents both the buyer and seller in the same transaction; rules governing dual agency vary by state.

Due Diligence

The period during which a buyer investigates a property's condition, title, and other relevant details before finalizing the purchase.

Earnest Money

A deposit made by the buyer to demonstrate good faith when submitting an offer, typically held in escrow and applied toward closing costs or the down payment.

Easement

A legal right allowing someone other than the property owner to use a portion of the property for a specific purpose, such as utility access.

Encroachment

A situation where a structure, fence, or other improvement extends onto a neighboring property without permission.

Encumbrance

Any claim, lien, or restriction on a property that may affect its transfer or use, such as a mortgage or easement.

Equity

The difference between a property's current market value and the amount still owed on it.

Escrow

A neutral third-party arrangement in which funds or documents are held until specific conditions of a transaction are met.

Escrow Account

An account, often managed by a mortgage servicer, used to hold funds for property taxes and insurance, which are paid on the homeowner's behalf.

Fair Market Value

The price a property would likely sell for in an open market between a willing buyer and seller, both acting knowledgeably and without pressure.

Fannie Mae

A government-sponsored enterprise that purchases mortgages from lenders and packages them into securities, helping keep mortgage funds available in the market.

FHA Loan

A mortgage insured by the Federal Housing Administration, often featuring lower down payment and credit score requirements than conventional loans.

Fixed-Rate Mortgage

A mortgage with an interest rate that stays the same for the entire loan term, resulting in predictable principal and interest payments.

Fixture

An item permanently attached to a property, such as built-in cabinetry or light fixtures, that is generally included in a home sale unless excluded in the contract.

Flood Zone

A geographic area designated by federal agencies as having a certain level of flood risk, which can affect insurance requirements and costs.

For Sale By Owner (FSBO)

A property listed and marketed for sale directly by the owner without representation from a listing agent.

Freddie Mac

A government-sponsored enterprise, similar to Fannie Mae, that purchases mortgages from lenders to help maintain liquidity in the housing finance market.

3 G - I

Good Faith Estimate

A former standardized form lenders provided to borrowers listing estimated loan terms and closing costs; it has largely been replaced by the Loan Estimate under current regulations.

Gross Living Area

The total finished, heated square footage of a home that is typically counted when comparing properties or determining value.

HOA (Homeowners Association)

An organization within a community or subdivision that establishes and enforces rules, and often collects fees to maintain shared spaces and amenities.

Home Equity

The portion of a home's value that the owner actually owns, calculated as the market value minus any outstanding mortgage balance.

Home Equity Line of Credit (HELOC)

A revolving line of credit secured by a homeowner's equity, allowing the owner to borrow funds as needed up to a set limit.

Home Inspection

A professional visual examination of a property's condition, including major systems and structural components, typically conducted before purchase.

Home Inspection Contingency

A contract clause allowing the buyer to request repairs, renegotiate, or withdraw from the purchase based on the results of a home inspection.

Home Warranty

A service contract that covers the repair or replacement of certain home systems and appliances for a set period, separate from homeowners insurance.

Homeowners Insurance

A policy that protects a homeowner financially against damage to the property and certain liabilities, often required by lenders.

Ingress and Egress

The legal right to enter and exit a property, often referenced in easements when access depends on crossing another parcel of land.

Interest Rate

The percentage charged by a lender for borrowing money, expressed annually, which determines a significant part of the cost of a mortgage.

Investment Property

Real estate purchased primarily to generate rental income, future resale profit, or both, rather than to serve as a primary residence.

4 J – L

Joint Tenancy

A form of property co-ownership in which two or more people hold equal shares with rights of survivorship, meaning a deceased owner's share automatically passes to the surviving owner(s).

Jumbo Loan

A mortgage that exceeds the loan limits set for conventional conforming loans, often requiring stricter qualification standards.

Lease

A legally binding agreement in which a property owner allows a tenant to occupy and use the property for a specified time in exchange for rent.

Lien

A legal claim against a property, often used as security for a debt, that typically must be resolved before the property can be sold with clear title.

Listing Agent

A real estate professional who represents the seller and is responsible for marketing the property and negotiating on the seller's behalf.

Listing Agreement

A contract between a property owner and a real estate brokerage authorizing the brokerage to market and sell the property.

Loan Estimate

A standardized form lenders provide within a few days of a mortgage application, outlining the estimated interest rate, monthly payment, and closing costs.

Loan-to-Value Ratio (LTV)

A percentage comparing the loan amount to the appraised value or purchase price of a property, used by lenders to assess risk.

Lock-in Period (Rate Lock)

A set timeframe during which a lender guarantees a specific interest rate for a borrower, protecting against rate changes before closing.

Lot Line

The legal boundary line that defines the perimeter of a parcel of land.

5 M - O

Manufactured Home

A factory-built home constructed on a permanent chassis and transported to its site, regulated under federal building standards.

Market Value

The most probable price a property should sell for in a competitive and open market under normal conditions.

MLS (Multiple Listing Service)

A database used by real estate professionals to share information about properties listed for sale, helping increase market exposure.

Mortgage

A loan used to finance the purchase of real estate, secured by the property itself as collateral.

Mortgage Insurance

Insurance that protects the lender if a borrower defaults on the loan, often required when the down payment is below a certain threshold.

Mortgage Rate

The interest rate charged on a home loan, which can be fixed or adjustable and directly affects the monthly payment amount.

Multiple Offers

A situation in which a seller receives more than one purchase offer at or around the same time, often prompting negotiation or a best-and-final request.

Net Proceeds

The amount a seller receives from the sale of a property after subtracting closing costs, agent commissions, and any outstanding loan balances.

Occupancy Date

The date on which a buyer or tenant is permitted to move into and begin using a property.

Offer

A formal, written proposal from a buyer to purchase a property under specific terms and price.

Open House

A scheduled time during which a property for sale is available for prospective buyers to view, typically without an appointment.

Origination Fee

A fee charged by a lender for processing a new loan application, often expressed as a percentage of the loan amount.

Owner Financing

An arrangement in which the property seller acts as the lender, allowing the buyer to make payments directly to the seller instead of obtaining a traditional mortgage.

6 P - R

Per Diem

A daily interest charge sometimes prorated and applied at closing based on the closing date within the month.

Personal Property

Movable items not permanently attached to real estate, such as furniture, which are generally not included in a home sale unless specified.

Pest Inspection

An inspection conducted to identify evidence of termites or other wood-destroying organisms that could affect a property's structural integrity.

Plat

A recorded map showing the boundaries, dimensions, and divisions of a piece of land, often used to identify individual lots within a subdivision.

PMI (Private Mortgage Insurance)

Insurance required on many conventional loans with a down payment below a certain percentage, protecting the lender in case of default.

Points (Discount Points)

Optional upfront fees paid to a lender at closing in exchange for a reduced interest rate over the life of the loan.

Pre-Approval

A lender's conditional commitment, based on a review of a buyer's financial documents and credit, indicating the loan amount the buyer is likely qualified to borrow.

Pre-Qualification

An informal, preliminary estimate from a lender of how much a buyer may be able to borrow, generally based on self-reported financial information.

Prepayment Penalty

A fee some lenders charge if a borrower pays off a loan earlier than scheduled; not all loans include this provision.

Principal

The original amount borrowed on a loan, or the remaining balance owed, not including interest.

Property Tax

A tax assessed by local government based on a property's assessed value, used to fund public services. Rates and rules vary by location, so consult your local tax assessor or a tax professional for guidance specific to your situation.

Purchase Agreement

The written contract outlining the agreed-upon terms, price, and conditions between a buyer and seller for the sale of a property.

Radon

A naturally occurring radioactive gas that can accumulate in homes, sometimes tested for during a home inspection due to potential health considerations.

Real Estate Agent

A licensed professional who assists clients with buying, selling, or renting property.

REALTOR®

A real estate professional who is an active member of the National Association of REALTORS® and subject to its Code of Ethics.

Refinance

The process of replacing an existing mortgage with a new loan, often to obtain a different interest rate or term, or to access equity.

Rescission

The legal cancellation of a contract, returning parties to their position before the agreement was made; certain transactions provide a limited right of rescission.

Right of First Refusal

A contractual right giving a party the option to enter a transaction, such as purchasing a property, before the owner may negotiate with other parties.

Right of Way

A type of easement granting the legal right to pass through another person's property along a specific route.

7 S - U

Seller Concessions

Costs, credits, or repairs that a seller agrees to cover on the buyer's behalf as part of a negotiated purchase agreement, such as contributing toward closing costs.

Seller's Market

A market condition where buyer demand exceeds the supply of available homes, generally giving sellers greater negotiating leverage and potentially higher sale prices.

Septic System

An on-site wastewater treatment system used in areas without access to municipal sewer service, typically requiring periodic inspection and maintenance.

Setback

The minimum distance required by local zoning ordinances between a structure and a property line, road, or other feature.

Short Sale

A sale in which the property sells for less than the amount owed on the mortgage, requiring lender approval of the reduced payoff.

Square Footage

The total measured floor area of a property, often used to compare homes and estimate value, though measurement methods can vary.

Survey

A precise mapping of a property's boundaries, improvements, and features performed by a licensed surveyor, often required to confirm lot lines and identify encroachments.

Tenancy in Common

A form of property co-ownership in which two or more people hold individual, undivided shares of a property, which can be unequal and do not include automatic rights of survivorship.

Title

The legal right of ownership to a property, along with the rights that come with that ownership.

Title Insurance

A policy that protects a buyer or lender against financial loss from title defects, such as undisclosed liens or ownership disputes, discovered after closing.

Title Search

A review of public records to confirm a property's legal ownership history and identify any liens, claims, or encumbrances before a sale.

Transfer Tax

A tax imposed by a state or local government on the transfer of real property from one owner to another. Rates vary by jurisdiction, so consult a tax professional for guidance specific to your situation.

Under Contract

A status indicating that a seller has accepted a buyer's offer and the transaction is proceeding toward closing, though it may still be subject to contingencies.

Underwriting

The lender's process of evaluating a borrower's financial information, credit history, and the property itself to determine whether to approve a loan.

USDA Loan

A government-backed mortgage program for eligible rural and suburban homebuyers, offering financing options such as no down payment for qualified borrowers.

Utility Easement

A legal right granted to a utility company to access a portion of a property to install, maintain, or repair utility lines or equipment.

8 V - Z

VA Loan

A mortgage program guaranteed by the U.S. Department of Veterans Affairs, available to eligible veterans, service members, and certain surviving spouses, often requiring no down payment.

Vacant Land

Land that has no existing structures or improvements, sometimes purchased for future building or investment purposes.

Variance

A local government approval allowing a property owner to deviate from certain zoning requirements, such as setback rules, under specific circumstances.

Vesting

The way in which title to a property is held among owners, which can affect rights of survivorship, transferability, and legal responsibilities.

Walkthrough (Final Walkthrough)

A buyer's final inspection of a property, typically shortly before closing, to confirm its condition and that any agreed-upon repairs have been completed.

Warranty Deed

A type of deed in which the seller guarantees clear title to the property and promises to defend against any future claims of ownership.

Well System

A private water supply system that draws groundwater for household use, common in areas without access to municipal water service.

Wire Fraud (Real Estate Wire Fraud)

A scam in which criminals impersonate a party in a real estate transaction to trick buyers or sellers into wiring closing funds to a fraudulent account. Always verify wiring instructions directly with a trusted contact before sending funds.

Wraparound Mortgage

A type of financing in which a new loan "wraps around" an existing mortgage, with the buyer making payments to the seller, who continues paying the original loan.

Yield

The return on an investment, often expressed as a percentage, which in real estate can refer to rental income relative to a property's value or purchase price.

Zoning

Local government regulations that dictate how land in specific areas may be used, such as for residential, commercial, or agricultural purposes.

Zoning Ordinance

The set of local laws that establish zoning classifications and the specific rules governing land use, building size, and density within each zone.

KEEP LEARNING

Continue Your Learning

The FN Home Group Resource Library is a growing collection of free guides designed to help you feel informed and confident at every stage of buying, selling, or owning a home in Southern Middle Tennessee. Explore the full library any time at **www.fnhomegroup.com/clientcenter.html**.

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Final Walkthrough Guide

FOR BUYERS & SELLERS
Closing Day Guide

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FOR BUYERS & SELLERS
Transaction Roadmap

FOR HOMEOWNERS
Home Maintenance Guide
Coming Soon

SAFETY
Wire Fraud Guide
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FOR BUYERS
First-Time Homebuyer Guide
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FOR RELOCATION CLIENTS
Relocation Guide
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LET'S STAY CONNECTED

Here for You, Before, During & After Closing

"Whether you're buying your first home, preparing to sell, relocating, or simply have questions about today's market, I'm here to be your trusted resource before, during, and long after closing."

Faith Nance, REALTOR®

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