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Definitions – Real Estate and Mortgage Terms

Abatement	A reduction or decrease in amount or worth.
Amortization Period	The number of years it will take to pay back your mortgage.
Appraisal	The process of determining the value of a property.
Assumability	Allows the buyer to take over the seller's mortgage on the property.
Closed Mortgage	A set payment schedule to repay a mortgage. Paying out the mortgage in full prior to the maturity date will usually result in a financial penalty that will be paid in addition to the principal and interest.
Closing Costs	Costs in addition to the purchase price of a property and which are payable on the closing date. Examples include legal fees, land transfer taxes, and disbursements.
Common Areas	Land or improvements designated for the use and benefit of all residents, property owners and tenants.
Conditional Offer	An offer to buy property subject to conditions such as obtaining mortgage financing and obtaining a home inspection of the property.
Condominium Fee	A fee paid by the condo owner to help pay building expenses of the condominium. Examples of that would be snow removal or lawn care.
Convertible Mortgage	A mortgage that you can change from short-term to long-term.
Conveyance	The transfer of title to real property by means of a written instrument such as a deed.
Deed	A legal document, signed by both parties, that transfers the ownership of property.
Deposit	Money offered by a prospective buyer as an indication of good faith in entering into a contract to purchase; earnest money; security for the buyer's performance of contract.
Default	Failing to abide by the terms of a contract or mortgage.
Down Payment	The buyer's cash payment toward the property; the difference between the purchase price and the mortgage loan.
Easement	Certain rights that a property owner might have over someone else's property.

Encroachment	A structure, or part of a structure built on another individual's property.
Equity	The difference between your home's value and the money you owe.
First Time Home Buyer	A buyer who has never owned a home anywhere in the world. The first time home buyer may be entitled to take advantage of paying less or no land transfer tax when buying property.
Harmonized Sales Taxes	Taxes applied to the purchase cost of a property. Some properties are exempt from sales tax and some are not. For instance, residential resale properties are usually HST exempt, while new properties are HST applicable.
High-Ratio Mortgage	A mortgage that exceeds 80% of the home's appraised value.
Home Inspection	Having a home inspected by a third party in order to get a better idea of the condition of the property.
Income Property	Property purchased primarily for the purpose of earning income. Income property can be commercial, industrial or residential.
Interest Rate	The percentage which is charged for the use of borrowed money.
Joint tenancy	A form of property ownership by two or more persons in which the joint tenants have one and the same interest, arising by one and the same conveyance. If one of the owners on title dies, his or her interest in the property will, by law, transfer to the remaining owners on title of the property in equal percentages.
Land Transfer Tax	A fee paid to the provincial government for the transferring of property from seller to buyer. (Buyer must pay this tax).
Legal Fees and Disbursements	Legal costs associated with the sale or purchase of a property that are owing to the lawyer.
Lien	Money owed to a creditor, supplier or contractor.
Maturity date	The date at which you are done repaying your loan and may have the option of renewing it.
Mortgage	A loan that is taken out in order to buy property.
Mortgage Broker	A company that offers mortgages from several different financial institutions.
Mortgage Insurance	Protects the lender against any losses if the borrower is unable to repay the mortgage. This is applicable when getting a high rate mortgage.
Mortgage Life Insurance	Pays off the mortgage in the event the borrower should die.
Mortgagee	The lender. (Usually a bank)
Mortgagor	The borrower. (Usually the home owner)

Open Mortgage	Allows payments to be made at any time to repay the money owed without a financial penalty.
Power of Sale	The right of a mortgagee to force sale of the property without judicial proceedings should default occur.
Principal	The dollar amount borrowed or owing on a loan.
Purchase Agreement	A legally binding agreement between the Seller and the Buyer that defines the price, closing date and items that are included with the purchase of the house.
Renewal	Renegotiation of a mortgage loan at the end of a term for a new term.
Right-of-Way	The right or privilege to pass over a designated portion of the property of another.
Survey	A document that shows the boundaries of the property and specifies encroachments, easements, and the placement of buildings on the property.
Title	Legal ownership in a property.
Title Insurance	A form of insurance to protect the owner of property and the Mortgagee against title defects.
Title Search	An examination of public records to determine and confirm a property's legal ownership, and find out what claims are on the property.

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