**12 Important Real Estate Terms You Should Know**

Like other industries, real estate uses technical jargon that can be difficult to understand. Whether you are buying or selling property, it is important to familiarize yourself with these terms to avoid running into problems with your transactions. Even with the help of an agent, you will still need to know the important jargon to ensure you are clear with your intentions and decisions.

Check out 12 of the most important real estate terms below to get a good foundation of the language.

**Appraisal**

An appraisal is an assessment of a real estate property’s value. During your mortgage application, your lender will ask for an appraisal of the property you plan to buy to see if it is worth the loan you are getting. If the property is overpriced, you will likely not be approved for the loan. Thus, it is highly advisable to check comparable homes before making an offer or applying for a loan.

**Buyer’s Agent and Listing Agent**

The buyer’s agent is a professional who helps buyers find properties and guides them through the buying process. On the other hand, a listing agent represents the seller’s interest, so they make sure to get the best possible offer for their client. These agents usually earn a commission from the sale, but rates will vary for each agent. In most US cities, the commissions are paid by the seller, not the buyer.

**Closing Costs**

Closing costs consist of a range of fees that buyers and sellers need to pay upon closing a sale. They usually include fees for attorneys, title insurance, real estate agents, homeowner’s associations, property tax, inspections, and loans.

**Contingencies**

Upon placing an offer on a home, you may specify contingencies or conditions that need to be met to push through with the contract. Common contingencies will usually include financial contingencies, which mean you can secure a loan, and inspection contingencies, which mean that you will inspect a home before you decide to follow through with the purchase.

**Due Diligence**

[Due diligence](https://learn.roofstock.com/blog/what-is-due-diligence-in-real-estate) refers to the time period when a buyer can examine a property to decide how to proceed. During this time, you can schedule home inspections and conduct necessary tests to make sure you know all the important facts about the property. After doing your due diligence, you can renegotiate contract terms or cancel your offer within a certain time frame, depending on your agreement with the seller. Once the due diligence period is over, it is assumed you accept all contractual terms and contingencies.

**Earnest Money Deposit (EMD)**

The EMD is the initial deposit you put down when you submit an offer. It shows your good faith and seriousness to buy their property and is often held by a third party like an escrow company while the deal is ongoing. If your offer is accepted, the EMD will be used for the down payment or closing costs.

**Escrow**

The term escrow can be used in different contexts in real estate, but generally, it is an arrangement where a third party holds a sum of money until a condition is met.

Escrow accounts are mainly used for two purposes. First, it is to hold the EMD until a transaction is closed, during which the funds will go to the respective parties. Second, it is to hold the mortgage payments that go to your taxes and insurance. The latter is usually done to avoid running late on these payments and getting into legal trouble.

**Homeowner’s Association (HOA)**

A HOA is an organization that manages a condominium, subdivision, or planned community. If you plan to buy a property managed by a HOA, make sure you check out the association’s rules and fees to know what to expect. Failure to abide by these rules can lead to legal consequences, so the earlier you know them, the better.

**Fixed-Rate and Adjustable-Rate Mortgage**

When dealing with loans, you will commonly encounter these two terms. Fixed-rate mortgages, as the term implies, come with a fixed interest rate that stays the same throughout the loan period. Adjustable-rate mortgages are the opposite since they have a variable interest rate that fluctuates through the course of the loan.

**Pre-approval Letter**

A pre-approval letter is a document that outlines an estimate of how much a lender is willing to lend to you. To get a pre-approval, lenders will look at details like your credit history and score, income, employment history, assets and liabilities, and others. In most cases, sellers may ask to see your letter before accepting an offer to ensure that you can secure the loan to buy their property. Note: pre-qualified is NOT pre-approval. Being pre-qualified only looks at basic qualifications to help you understand what you can afford and MIGHT get approved for.

Educating yourself on these real estate terms will help you understand when your lender or real estate agent is talking about your transaction.