

**Adjustment Date:** The day from which all calculations of interest, tax adjustments, utility bill adjustments (if applicable) are made to the credit of either the buyer or the seller. This is usually (but not always) the same as the possession date. Usually, the seller is responsible for tax and utilities before the adjustment date and the buyer is responsible for tax and utilities after the adjustment date.

**Amortization:** The length of time in years it takes to repay the entire amount of the mortgage making the agreed upon payments.

**Appraised Value:** An estimate of a property's market value, used by lenders in determining the amount of the mortgage.

**Appreciation:** The increase in a property's value over time.

**Assessed Value:** The value of a property, set by the B.C Assessment Authority, and used by the local municipality for the purposes of calculating property tax.

**Blended Mortgage Payments:** Equal or regular mortgage payments, consisting of both a principal and an interest component.

**Buy-down:** When the seller reduces the interest rate on a mortgage by paying the difference between the reduced rate and the market rate directly to the lender or to the purchaser.

**Closing:** The real estate transaction's completion, when the parties involved agree that all legal and financial obligations have been met and the deed to the property is transferred from the seller to the buyer.

**Closing Costs:** Expenses in addition to the purchase price for buying and selling a property.

**Condominium Common Property, or Common Elements:** The portions of a condominium development owned in common (shared) by the unit owners, e.g.: pool, exercise room, lobby, etc. A strata fee is charged to every unit owner for the use of the common property.

**Conventional Mortgage:** A first mortgage issued for up to 75 per cent of the property's appraised value or purchase price, whichever is lower.

**Conveyance:** The term used to describe the process of transferring the seller's title to the buyer and indicates all the necessary steps to complete the transfer. A conveyancing lawyer is a lawyer (or notary) responsible for the conveyance process (this is normally the buyer's lawyer).

**Counter offer:** An offer made by the seller back to the buyer altering one or several terms and/or conditions of the offer as originally written.

**Debt Service Ratio:** The percentage of a borrower's income that can be used for housing costs.

**Gross Debt Service (GDS) Ratio:** The amount that a lender will permit a borrower to use from his/her gross income in order to qualify for a loan for housing costs, including mortgage payment and taxes (and condominium fees, when applicable).

**Total Debt Service (TDS) Ratio:** The maximum percentage of a borrower's income that a lender will consider for all debt repayment (other loans and credit cards, etc.) including a mortgage.

**Easement:** A legal right to use or cross (right-of-way) another person's land for limited purposes. A common example is a utility company's right to run wires or lay pipe across a property.

**Encroachment:** An intrusion onto an adjoining property. Common examples are a neighbour's fence, storage shed, or overhanging roofline that partially (or even fully) intrudes onto your property.

**Equity:** The difference between the price for which a property can be sold and the mortgage(s) on the property. Equity is the owner's stake in the property.

**Foreclosure:** A legal process by which the lender takes possession and ownership of a property when the borrower doesn't meet the mortgage obligations.

**High-ratio Mortgage:** A mortgage that exceeds 75 per cent of the loan-to-value ratio; must be insured by either the Canada Mortgage and Housing Corporation (CMHC) or a private insurer to protect the lender against default by the borrower who has less equity invested in the property.

**Land Transfer Tax:** Payment to the provincial government for transferring property from the seller to the buyer. See Property Transfer Tax.

**Lien:** Any legal claim against a property, filed to ensure payment of a debt.

**Mortgage:** A contract between a borrower and a lender. The borrower pledges a property as security to guarantee repayment of the mortgage debt.

**Mortgage Insurance:** Government-backed or private-backed insurance protecting the lender against the borrower's default on high-ratio (and other types of) mortgages.

**Mortgage Prepayment Penalty:** Is a fee paid by the borrower to the lender in exchange for being permitted to break a contract (a mortgage agreement); usually three months' interest, but it can be a higher or it can be the equivalent of the loss of interest to the lender.

**Multiple Listing Service® (MLS®):** A current and comprehensive listing system for relaying property information to varying Real Estate Board REALTORS. This service offers the widest exposure to properties listed for sale.

**Open Mortgage:** A mortgage that can be prepaid or renegotiated at any time and in any amount, without penalty.

**Principal:** The mortgage amount initially borrowed or the portion still owing on the mortgage. Interest is calculated on the principal amount.

**Property Disclosure Statement:** This form enables sellers to disclose known defects. If the seller decides not to complete the form and does not disclose known defects, he or she can still be held liable. The form also serves as a checklist for buyers enabling them to address concerns about the property's condition on the spot. The British Columbia Real Estate Association developed this form. Submission of the form is required before any listing is placed on the Victoria Real Estate Board's MLS® system.

**Property Taxes:** Location and the value of the property as determined by BC Assessment affect this levy. Local government determines the rate of taxation. Property taxes are paid on an annual basis.

**Property Transfer Tax:** Payment to the provincial government for transferring property from the seller to the buyer. PTT is 1% of the first \$200,000 and 2% of the remaining cost of any property. In the 1994 provincial government's budget, the PTT was eliminated for first-time buyers under certain circumstances.

**REALTORS:** Real estate professionals licensed by the Real Estate Council of BC who are members of a local Real Estate Board and the British Columbia and Canadian Real Estate Associations. Only these professionals can call themselves REALTORS.

**Rights of Way:** Are indicated on title at the Land Title Office; often for use of utilities or city or municipality in order to make repairs to pipes, etc.; no permanent structure may be built on a right of way.

**Statements of Adjustments:** Closing statements in a real estate transaction which set out the sources of funds which make up the purchase price, adjustments to and from the purchase price, the final amount required from the purchase and the amount due to the seller. Lawyers will prepare a statement for the seller and the buyer.

**"Subject-to" Clause:** A statement of a condition to be fulfilled before the contract will become firm and binding; must include a specific deadline for removal.

**Title:** The legal evidence of ownership in a property.

**Title Search:** A detailed examination of the ownership documents to ensure there are no liens or other encumbrances on the property, and no questions regarding the seller's ownership claim. A title search should always be carried out by a buyer.

**Utility Taxes:** Examples may include water, sewer and garbage (may include recycling levies).

**Variable-rate Mortgage:** A mortgage for which payments are fixed, but whose interest rate changes in relationship to fluctuating market interest rates. If mortgage rates go up, a larger portion of the payment goes to interest. If rates go down, a larger portion of the payment is

applied to the principal. Any amount added to the mortgage due to higher interest rates is added on to the end of the amortization period.

**Vendor Take-Back Mortgage:** When sellers use their equity in a property to provide some or all of the mortgage financing in order to sell the property.

**Zoning Regulations:** Strict guidelines set and enforced by municipal governments regulating how a property may or may not be used.