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## **Talking the talk: A quick guide to common real estate jargon - by Philip Hastings and Alexandra Brewer**

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Real estate transactions are full of unique terminologies, abbreviations, and acronyms, some of which are not self-explanatory and add a layer of complexity to a sometimes convoluted process. We have compiled some common terms to help cut through the jargon.

**Appraised value:** the value placed on property by a professional appraiser, usually to support bank financing. This is not the same as a “broker’s opinion of value” (which is a professional analysis done by a licensed real estate broker, usually to inform the listing price) or the “assessed value” (which is value placed on property by a municipality for the purpose of real estate taxation).

**Closing costs:** the expenses required to finalize a transaction. Typical closing costs include transfer taxes, recording fees, property tax adjustments, the costs of the title examination, title insurance premiums, document preparation fees, wire transfer fees, courier fees, and “discharge tracking” expenses.

**Closing disclosure:** a document provided by residential mortgage lenders to borrowers which discloses the final loan details, including projected monthly principal and interest payments and closing costs. This is similar to a “RSA 399-B Statement” which is required under New Hampshire law to inform all borrowers (commercial or residential) of the key terms of the finance transaction.

**DocuSign:** this term, although the name of an application, is often used in the generic sense to

describe the use of electronic signatures, regardless of the particular application.

DRA forms: in New Hampshire, this refers to the Real Estate Transfer Tax Declaration of Consideration (CD-57-S and CD-57-P) and Inventory of Property Transfer (PA-34) forms required to be filed by the Department of Revenue.

Due diligence: the process by which the buyer is able to discern the conditions or value of the property or its suitability for a particular use (e.g., an appraisal, title search, survey, and inspections). Buyers often have an “inspection contingency” in the contract to allow them to terminate without penalty if the due diligence is unsatisfactory.

Earnest money deposit: also known as a “good faith deposit” or simply “deposit,” this term represents the initial funds that a buyer puts in escrow upon seller’s acceptance of the offer. Buyers are sometimes obligated to make an “additional deposit” after the passing of some contractual milestone (e.g., the end of due diligence).

Escrow: the arrangement where a third-party (e.g., a title company) holds the deposit, closing funds, and signed closing documents until all conditions of the agreement are met, following which the deed is recorded, the closing proceeds are disbursed, and escrow is “closed.”

Financing contingency: a clause in the contract that allows the buyer to cancel the contract without penalty and receive a refund of the earnest money deposit if unable to secure a mortgage.

FIRPTA: acronym for the “Foreign Investment in Real Property Tax Act” of 1980 which requires the buyer to withhold federal tax if the seller is a foreign person. It also refers to the certificate required at closing by which the seller affirms that he or she is not a foreign person.

HUD: although technically standing for the “Department of Housing and Urban Development,” it is common shorthand for the department’s form showing the breakdown of the closing costs, deposits, credits, disbursements, and other adjustments involved in the transaction; synonymous with “settlement statement” or “closing statement.”

Joint tenancy with rights of survivorship: a form of legal ownership where two or more people own an undivided interest in real estate, and by which the interest of a “joint tenant” automatically passes, upon death, to the surviving joint tenant. Also referred to as “JTROS.” In comparison, a “tenancy in common” is a form of legal ownership where two or more people share an undivided interest in real estate but the interest of a deceased “tenant in common” passes to his or her heirs instead of automatically to the other tenants in common.

1099-S: the official form used to report the sale or exchange of real estate to the IRS for federal income tax purposes.

Whether you are an experienced real estate professional or working on your first deal, having a basic understanding of these terms will help you better understand and prepare for the steps

necessary in your transaction and get the deal done.

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