



# CLOSING TERMINOLOGY

**Appraised Value** - an opinion of the value of a property at a given time, based on facts regarding the location, improvements, etc. of the property and surroundings

**Loan Application Fee** - paid to lender at time of application; cost varies by lender

**Credit Report** - a report on the past ability of a loan applicant to pay installment payments

**Point** - 1% of loan amount

**Origination Fee** - fee buyer pays lender to originate new loan

**Loan Discount** - points lender charges; may be paid by either buyer or seller on conventional loans; number of points fluctuates with mortgage money market

**Tax Certificate** - certificates issued by taxing authorities showing the current years taxes and the last year that taxes were paid

**Lender's Title Policy** - required by lender to ensure that lender has a valid lien; does not protect the buyer

**Owner's Title Policy** - insures clear and marketable title to the property

**Escrow Fee** - charge for processing the escrow, which includes holding funds, documents and disbursement in accordance with written instruction from the parties

**Tax Proration** - allocation of taxes already paid by seller, or due from seller at time of closing

**Recording Fees** - charged by County Clerk to record documents in the public records

**Document Preparation** - fee charged by an attorney for preparing legal documents for a transaction

**Survey** - confirms lot size and any encroachments and easements or restriction violations

**Inspections** - an examination of property for various reasons such as termite inspection; inspection to see if required repairs were made before funds are received, etc.

**Commission** - an amount paid to real estate broker as compensation for their services

**Private Mortgage Insurance** - insurance against a loss by a lender in the event of default by a borrower (mortgagor)

**Home Owner's Insurance** - protects property and contents in case of loss

**Escrow Account or Impound Account** - funds held by lender for payment of taxes, maintenance and insurance when due

**Maintenance Fee** - charged by homeowners' association as set out in subdivision restrictions (where applicable)

**Amortization Fee** - schedule showing principal and interest payments throughout the life of the loan

**Prepayment Penalty** - charged by lender for premature payment of either all or part of the principal loan balance

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