Real Estate Investment Glossary

Real Asset Investment – The Money Steward – MFN Network

Fair Market Value – What the house is worth based on at least 3 comparable sales of a very similar sized and styled house in the neighborhood and those comparable sales are less than 6 months old.

Equity – The amount arrived at when you deduct the mortgage loans from the Fair Market Value. The equity is how much asset value the owner has in the house.

First Mortgage – Also called Trust Deeds in some states. This is the loan that is secured by the house, and the word "first" means that it preceded any other mortgages against the house. A Second Mortgage would be one that is taken out after the First Mortgage. A house could even have a 3rd or a 4th loan against it.

Escrow – A third party business entity that arranges the sale of a house and impartially collects funds into a neutral account and obtains loan and deed signatures and releases those agreements to the proper parties.

Hard Money Lender – A person or firm that loans money on real estate based on the values and not on credit or income.

Wholesaler – A person that scouts out and secures a flip house in need of repair, then the person passes the house off to an investor for a fee who completes the transaction with the seller.

Assignment – This is done by an agreement between the wholesaler and the investor, as the wholesaler actually assigns the property in writing to the investor.

Contingency Period – This is the early days of an escrow period when a buyer – wholesaler – investor has a number of days to inspect the property for defects and issues. This is usually about 10-15 days, and the wholesaler or the investor are not bound to complete the sale until this period is over.

Earnest Deposit – This is usually a sum of money, paid from buyer to seller, anywhere from $100 to $2000 or more, to hold property as good faith funds. Often, this is not paid until after the contingency period is over, or, stays in check form until that time.

ARV – This term means "**After Repair Value**" and is basically the same thing as **Fair Market Value**. The difference is that the **FMV** can be determined while the house is still a fixer, and the **ARV** is after.