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Earnest money: Money deposited by a potential buyer to show that he or she is serious about purchasing the home. Depending on the agreement, it becomes part of the down payment if the offer is accepted, may be returned if the offer is rejected, or may be forfeited if the buyer pulls out of the deal.

Easement: A right-of-way giving individuals other than the owner permission to use a property for a specific purpose.

Encumbrance: A legal right or interest that affects or limits complete ownership and control over a property. It can take numerous forms, such as zoning ordinances, easement rights, claims, mortgages, liens, charges, pending legal action, unpaid taxes or restrictive covenants. An encumbrance does not necessarily prevent transfer of the property to another, but may diminish its value. A title search will usually reveal the existence of encumbrances, and it is up to the buyer to determine whether he or she wants to purchase the property with the encumbrance.

Equity: Calculated by subtracting the amount still owed on the mortgage loan and any liens from the fair market value of the property. Equity grows as the mortgage is paid down and the property appreciates in value.

Escrow account: A neutral third-party account holding documents and money during a real-estate transfer until the sale is finalized. It can also be an account in which money for property taxes, homeowners insurance, and mortgage insurance is paid. (Note: The word "escrow" comes from the Middle English word "escrowl", which means "scroll" or parchment.)