14 Post-Recession Real Estate Terms, Translated

By now, you've probably heard the age-old rules of thumb about translating home listings from real estate lingo to plain English: 'cozy' = tiny, 'needs TLC' = needs massive repairs, and 'all original details' could mean beautiful moldings or moldy linoleum, depending on the home.

Almost everything about the real estate market has changed over the last few years, though, so we thought it was time to provide you with an updated real estate lingo decoder that accounts for those changes in the market. (That's a picture of Ralphie getting his decoder ring in the mail, by the by.)

To that end, here are 14 line items of real estate jargon, divided into 2 buckets and decoded for the post-recession house hunter.

Bucket #1: Transaction signals. Distressed properties – foreclosures and short sales - make up about a third of the homes currently on the market, and these transactions have their own unique flow, timelines and challenges compared with "regular" equity sales. So, it only makes sense that listing agents have developed a set of abbreviations to brief prospective buyers on what they can expect and should be prepared for if they make an effort to buy such a home, with just a glance at the listing:

1. **REO:** Real estate owned by the bank/mortgage servicer, this acronym refers to homes that were foreclosed and repossessed by the former owner's bank. It also signals that buying this property will involve doing a deal with the bank; possibly dealing with a different escrow timeline, offer process or contract forms than a non-REO sale; and almost always taking the place in as-is condition, among other things. Oh, yeah – and it might also involve one more thing: a great deal.

2. **S/S, Subject to bank approval:** What once stood for stainless steel is now being used to describe a short sale – a property whose seller anticipates will net them less than they owe on the home. Short sales are often described as "subject to bank approval," which simply points out the obvious truth about these transactions, that the seller has very little control over whether the bank will allow the transaction or what price and terms the bank will approve of, and that the transaction might very well take the better part of your natural life could take 6 months or longer to close. Talk to your agent for more details about short sales, and to determine how you can tell the success-prone short sales from those that are less likely to close.

3. **Pre-approved short sale:** Many knowledgeable agents say no short sale is truly "pre-approved" unless and until the bank looks at a specific buyer's offer and the seller's financials at the same time, but some listing agents designate a short sale as "pre-approved" when a previous short sale application was approved at a given price, but fell out of contract for some other reason.

4. **Motivated seller:** This is a perennial term in listing parlance, but against the backdrop of the current market, translates to something like, "Have mercy on me." I kid – this phrase often signals a seller's flexibility in pricing and/or urgency in timing.

5. **Coveted:** In a word, "expensive." No, seriously, even on today's market, many locales have a neighborhood (or a few) which have been relatively recession-proof, have been fairly immune to the foreclosure epidemic and have seen home values continue to rise. If you see the word 'coveted' in a listing, chances are you're house hunting in that sort of neighborhood, or there's something about the individual property the home's seller is trying to position as unique and desirable, as compared to competing listings (i.e., the view, location of the lot, or floor plan).

6. **BOM, often accompanied by "No fault of the house:"** Homes go in and fall out of escrows on today's market constantly, often due to things the seller has no control over. BOM indicates a home that was in contract to be sold, but is now "Back on the Market." "No fault of the house" may describe a situation in which the buyer lost interest in the home after a long short sale process or failed to get final loan approval, as contrasted to a situation in which the home's inspection turned up deal-killing problems or the property failed to appraise at the purchase price.

7. **Not a short sale, not a foreclosure.** Sellers on "regular" equity transactions are often more negotiable on items like price and repairs, and are certainly able to close the transaction (i.e., let the buyer move in) sooner than sellers of REOs and short sale properties. Some also pride themselves on having maintained their homes in better condition than the distressed homes on the market. For buyers that seek quick certainty and closure, non-distressed homes can be especially attractive.

Bucket #2: All about the Benjamins. The government's role in financing homes has grown exponentially over the housing recession, so the alphabet soup of government housing and home financing agencies, their guidelines and programs is now more important to understand than ever.

8. **OO/NOO:** Owner-Occupied and Non-Owner Occupied – You'll see this on listings in two different ways. First, the vast majority of home loans must comply with government loan insurance guidelines, including guidelines around how much of a condo complex must be owner-occupied (i.e., 75 percent, minimum, in most cases). Also, some bank-owned property sellers will consider offers from owners who plan to occupy the property if they buy it as much as a week or 10 days before they will look at NOO or investor offers.

9. **FHA:** Short for the Federal Housing Administration, which backs the popular 3.5 percent down home loan program. FHA guidelines also include somewhat strict condition and homeowners' association dictates, so if a home's seller notes that they are not taking FHA loans, they might be saying that the property has condition or other issues which disqualify it for FHA financing.

10. **Fannie, Freddie:** Fannie Mae and Freddie Mac, federally controlled company/agency hybrids that now back most non-FHA (conventional) home loans, and thus provide the guidelines most Conventional loans must meet, including guidelines around seller incentives like how much closing cost credit a buyer can receive.

11. **DPA/DAP:** Down-Payment Assistance or Down-Payment Assistance Program

12. **FTH/FTB:** First-time homebuyer/First-time buyer – cities, states and large employers like universities tend to be the last bastion of these programs which offer mortgage financing or down payment assistance, usually to people who have not owned a home in the relevant city or state anytime in the preceding 3 years.

13. **HUD:** The federal department of Housing and Urban Development, which governs the guidelines for FHA loans, acts as a seller of homes which were foreclosed on and repossessed for non-payment of FHA-backed loans, and publishes the Good Faith Estimate and settlement statement forms every buyer and borrower will be provided at the time they shop for a loan and close their home purchase, respectively.

14. **HFA:** Short for Housing Finance Administration, this acronym refers to a loose body of state and regional agencies which offer an array of financing and counseling programs that varies by state, from down payment assistance for first time buyers to the Hardest Hit Funds that offer foreclosure relief assistance and principal reducing loan modifications to unemployed and underwater homeowners in the states hardest hit by the foreclosure crisis.