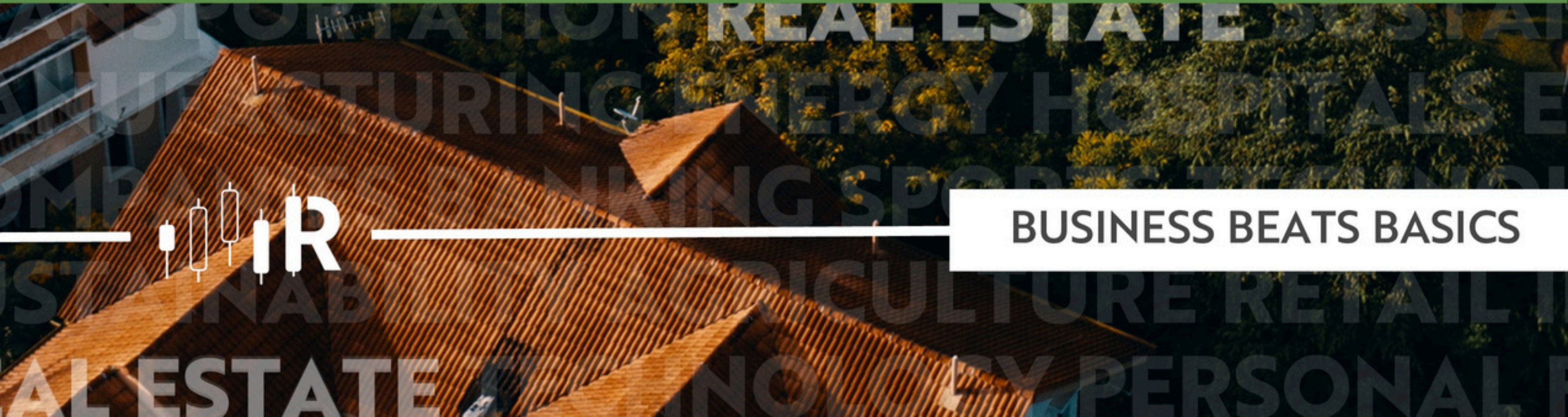
CHAPTER 15
REAL ESTATE



BUSINESS BEATS BASICS

REAL ESTATE

INTRODUCTION

Congratulations on joining the Real Estate beat! You've been assigned to a coverage area that can potentially touch everyone in your newsroom's audience.

Real estate is often pigeonholed as a niche beat, but depending on your news organization's needs and desires, there's great potential for real estate to be a newsroom leader in many markets. Face it, everybody needs a roof over their head – even local businesses. It's your job to tell the tales of how the market for those roofs is evolving over time, whether that be residential or commercial, or both.

Don't be afraid of the challenge. View "roofs" as a grand opportunity to connect with all sorts of people inside and outside your community. As a starting point, look at the key groups you will likely serve and/or interact with to get the information you need to succeed. It's an eclectic group – with changing opinions and tastes – so be prepared to have an ever-evolving database of sources.

ALWAYS REMEMBER YOUR AUDIENCE

In the day-to-day grind that is modern journalism – or hour-to-hour for more than a few – we get caught up in various reporting or production habits that get us through a day, week, or month.

However, these rituals – from what sources we use to how we frame our work – can, at times, nudge our work in the wrong direction. It's easy to fall into various traps on the real estate beat if you're not always mindful of your current and potential audiences.

Editors in your newsroom will see the slew of national real estate reports and wonder "How does our market fare?" You don't have to always insist on writing these "national" stories and instead can offer an info box or insert of the local context. In many cases, national trends have little to do with what's going on in your community, but don't fight this hassle too hard. Rather, be prepared by knowing (1) the schedule of these major reports so you can plan; (2) which reports contain local or regional data that can be highlighted; and (3) what local sources have similar data that can amplify – or question – these "widely watched" economic releases.

Remember you have an audience to serve. If you master basic coverage skills, you'll have time for the better (fun) stuff.

WHERE TO BEGIN

HOMEOWNERS AND ASPIRING HOMEOWNERS

It may be the "American Dream," but it's awfully expensive. This prime audience of homeowners, or those aspiring to own a home, relishes everything from market trends to news about property taxes. They may be interested in home design trends, home repair, and basic information about the home buying and selling process and how it may be changing. You can also cover stories on insurance, new development, and the impact of new highways, flight patterns or shopping centers on local home values. This audience is often willing to tell you how your latest story doesn't apply to their neighborhood – and sometimes they are completely correct. Treat them well, and they will return the favor.

RENTERS

Not everyone owns their home. Real estate coverage often ignores this audience. For example, falling home prices are often portrayed as bad, but this could actually be good news for renters who have been patiently waiting to purchase a house.

The amount of renters in the United States has fluctuated over the years and varies greatly from state to state. The percentage of renters can be anywhere from 25% to over 50% depending on the region. States like New York, California, and the District of Columbia have considerably higher percentages of people who rent homes than states like Wyoming, Michigan, and Iowa.

Additionally, rents and rent changes can vary widely by market. Yet it's not easy to follow at the consumer level. Becoming an expert on your local rental market can be vital for renters looking for affordable rental homes. This group always needs fresh market trend insights, since renters typically renew leases annually and tend to move more frequently than homeowners.

REAL ESTATE AGENTS AND THEIR BROKERAGES

You can't hide from the fact that the residential real estate business is likely a major advertiser with your publication. If you didn't know that, real estate agents will remind you – and think all your coverage should be "today is a great day to buy" positive. Once you can get past the natural friction that comes with that, agents and brokerages can be great sources because they are in the trenches of your beat. Just remember to avoid any potential conflicts of interest while reporting.

You can meet agents on their turf – at meetings and trade shows. Learn how they think and their quirky language. Eventually, you'll find real estate agents in your community willing to share truly valuable information. And it's not because they're looking to get their name out there. Rather, they think a well-informed consumer is good for their business.

Start with lenders and people who handle real estate transactions. This group can be subdivided into three categories:

EMPLOYEES OF MAJOR BANKS AND LENDERS
They tend to work through traditional corporate methodology, which means talking through public relations departments. Not that this information isn't perfectly acceptable, but it isn't going to make a lot of exciting copy.

MORTGAGE BROKERS
These are individuals and small entities helping consumers get home loans using various sources of funding. That breadth of view – and a willingness to talk frankly with good insight – offers the opportunity to learn what's going on the lender side of the transaction in addition to the borrower side.

OTHER REAL ESTATE PROFESSIONALS
In the private sector, jobs such as real estate attorneys, escrow agents, and title company officials can get you interesting information about activity levels and deals in the works. The same can be said for government officials handling real estate bureaucracy, who also can keep you up-to-date about a key hot topic: property taxes.

CONSTRUCTION

New homes may be a small slice of real estate, but it's also one of the most intriguing. Homebuilders are in the business of selling homes. That's somewhat different than a homeowner who's trying to sell their own home. To succeed, builders have to be in touch with what consumers need and at what price. So often, new homes contain a good idea of what buyers' wishes are – or at least what things people are willing to pay for. Plus, builders either directly or indirectly are big employers. Construction crews are often part of other projects that can have an impact on

nearby neighborhoods, such as streets and landscaping. Plus, all those new homes require suppliers, concrete trucks, lumber yards, and so many more businesses to help them build their homes. It's amazing how much you learn about the real estate economy just from meeting workers at ground level.

BIG PROPERTY OWNERS

Commercial real estate stretches can include apartments, office towers, shopping malls, factories, warehouses and self-storage yards. Don't be overwhelmed by the sheer scope of this niche part of the real estate beat. In many communities, commercial real estate brokerages handle many aspects of the business – buying, selling, and leasing different types of properties.

Obviously, the apartment niche has broad appeal, but don't forget that office towers and shopping malls can make for great copy. The success or failure of office towers and shopping malls serves as an indicator of how your local economy is progressing. The companies and brands renting space – or leaving it – in local business parks and retail centers can broaden your audience as you report about evolving employment or shopping options.

GURUS

There’s really no such thing as a truly independent expert. Still, we’ll look at outside observers of real estate markets in three distinct categories.

ACADEMIA

There’s a good bet you have a local university or college where professors track the local economy and its real estate. Their reports and commentary can be long-winded or esoteric, but the analysis is often based on long-term trends and forecasts that are hard to get elsewhere.

CONSULTANTS

The real estate industry hires many outsiders to acquire fresh viewpoints. And these people love to get their name in the media, so they can often be easy to get a hold of. While academics may be a little out of touch with day-to-day insights of the industry, consultants are in constant contact with real estate industry insiders. However, it is important to remember that one caveat to consultants' comments: Remember who pays them.

DATA CRUNCHERS

Real estate transactions create tons of paper trails – and numerous companies mine that data for analysis. To build their brands, these number crunchers frequently distribute the info for free – often along with analysis to help you interpret the trends. Frequently, this private data can be better than government or industry-sponsored reports. However, occasionally, the measures involved can be confusing or not very transparent, so always proceed with caution and do your best to verify the trend they are explaining.

SERENDIPITY

This is not an audience or a source, but rather, a state of mind. It is important to be prepared for the surprise that naturally comes with real estate, such as a star athlete or famous Hollywood type buying a home in your market – or losing one through foreclosure. You may also be surprised by a historic local home being placed on the market, a quirky design for a new home, an over-the-top remodeling job, or a local apartment complex offering a dog-washing spot as one of its amenities.

Yes, real estate is important, and there are serious times in the industry. But it’s okay to have fun with a story now and then. Telling fun tales is a change of pace that will serve your readers, and yourself, well.

FIND STANDOUT STORIES

So, where do you go to get the real estate stories that make your coverage stand out – both among the competition and in the newsroom? Here are a few places to consider visiting.

EXHIBIT HALLS

The next time you go to a real estate trade show – and there are plenty of them – ignore all the panel discussions about "the future" and spend serious time with the vendors in the exhibit hall. After you ignore their giveaways, and politely inquire about a vendor's product or service, hone in on what these vendors know about the real estate business in your community. Are sales up or down for products and services that support the real estate trade? What are real estate insiders telling the vendors about the health of the market? Vendors can be great sources because they see the business from a whole different perspective.

AGENT MEETINGS

Real estate agents love to meet and share tales of what's going on in their business. These gatherings can run from traditional meeting hall sessions to less formal coffee shop chats or tours of homes for sale in a neighborhood. It's a good way to hear the buzz and the meet-and-greet potential of actual sources in person. If you don't mind public speaking, offer yourself as a "guest expert" to talk about the media's role in the local real estate business. Of course, be prepared for the "Why aren't you more friendly to real estate?" questions, as there are sure to be some.

SOCIAL MEDIA

Numerous real estate professionals – often, sole proprietors or owners of small businesses – are intensely leaning into novel marketing and communication tools, including social media. You can find plenty of realtors on Instagram Reels, TikTok, or whatever is currently trending. Your ability to leverage social media as a reporting tool to follow ground-level real estate news in your community can be invaluable.

ONLINE

Become an expert at using online real estate databases such as Zillow, Trulia or Redfin, to name a few. These allow you to quickly explore what's for sale and/or selling in your market. Many real estate sites – maybe even your own news organization's website – allow registered users to get custom search results by email. Imagine automatically knowing when local mansions hit the market or are sold. Similarly, this can also be done with foreclosure tracking sites like RealtyTrac or Foreclosures.com

PLANNING COMMISSIONS

Most municipalities in some way govern the construction and/or remodeling of major structures, whether that be new homes and office towers or retooling a shopping center. Through whatever means – usually a local planning board – people or entities seeking to build must file paperwork detailing their projects. Often these are public documents that can create story ideas. Government filings may contain pros and cons and even local objections. Think out of the box, too. For example, one hot topic I've seen debated at these commissions is where new cell towers or other radio towers will be constructed. Residents often don't want them near their homes.

YOUR NEWSPAPER

Please read your own newspaper, especially the local news section. Quite often what amounts to real estate stories frequently appear as government stories. Is some city council debating the future of a big residential or commercial development? Find your angle. Property taxes to rise? Bet that there are a lot of opinions in the real estate business and among property owners! Is crime up or down, and where? Ask how this impacts house sales or apartment rents. Does a local sports team want a new facility? Reach out to see how it will impact local construction workers.

THE COURTHOUSE

Real estate is an intensely competitive business that often leads to litigation. Not every slice of litigation is newsworthy and not every filing in a high-profile case is worth your time. Still, you'd be well-served to find time to visit your local courthouse – or know how to do it online – to see who is suing whom in your market. Or make sure your best friend happens to be your newsroom's courthouse reporter. Seek out the legal stories that define a current trend or have a solid element of drama that may interest your readers.

MODEL HOMES AND OPEN HOUSES

Numbers tell only a slice of the housing story – and often those numbers are in the past and can do little to predict the future. One of the hardest things in real estate, for the industry and reporters alike, is understanding what makes buyers buy or not buy. Two places that home shoppers gather are builders' model homes for upcoming homes and open houses for older homes. A lot of stories can be found in either place. While you're at the builders' model homes, check out the products for new design trends and novel home amenities. Remodeling upgrades at open houses can be great story kindling.

RESOURCES

National Association of Realtors

Press Releases

Trade group that follows pricing and buying activity on a national basis (monthly) and 300-plus regional quarterly basis.

Associated General Contractors of America

Press Releases

Trade Group that provides quick analysis of national and regional construction jobs data.

Mortgage Bankers Association

Press Releases

Trade group that tracks new mortgage applications on a weekly basis and delinquent mortgages on a national and regional quarterly basis.

National Association of Home Builders

Press Releases

Trade group that surveys developer optimism on a national and regional monthly basis. They also track house shopper affordability – the Housing Opportunity Index – on a national and regional quarterly basis.

DON'T FORGET CHECKLIST

Assuming your goal is to reach a broad-based crowd of readers, here's a checklist to keep you on track.

YOUR AUDIENCE

Real estate is a very competitive industry with a lot of colorful and strong personalities that create frequent internal friction. Resist the urge to cover too much of these tussles. That may be great fodder for your sources, but some industry news is not interesting to your broader audience.

RENTERS COUNT

Certainly, much of real estate's drama has historically been in the for-sale housing market, with prices soaring and collapsing. But apartment rents can also rise and soar just as easily. Don't forget that roughly 40% of America lives in rentals and they are just as interested in what is happening in the local market, as their rents can often be impacted by what's being built, bought, or torn down.

IT'S A LOCAL BUSINESS

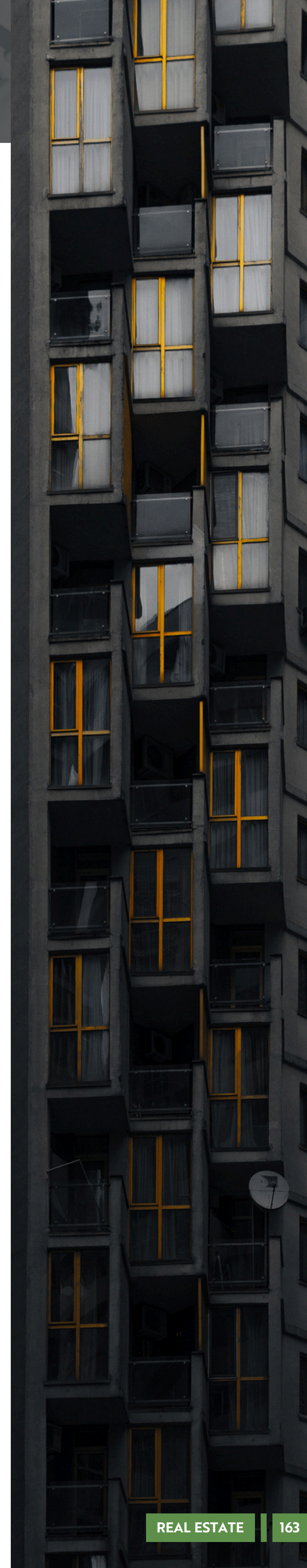
The real estate beat is heavily local, and many of your sources will be local as well. Therefore, it is key to know your market and have great local sources who are good at doing more than putting national trends in context. It's likely that market conditions – residential or commercial, ownership or rental – are not the same even around your community. What niches or neighborhoods are hot? Which ones are not?

USE PLAIN ENGLISH

Real estate is not brain surgery or rocket science. Still, the industry does have its share of complex and confusing lingo. Always try to keep your coverage simple. You don't really have to say things like "loan facility" or "mezzanine financing" when you simply mean a commercial mortgage. If you must use lingo, please explain it to your readers every time. Don't assume people have read your past work.

IT'S A VOLATILE AND CYCLICAL BUSINESS

History likes to repeat itself. And real estate is a prime example that many people can feel the immediate impacts of. So whatever trends you're covering, remember that nothing is permanent. Push sources to provide historical context, especially when you're writing about short-term trends. If nothing else, watch year-over-year and year-to-date trends alongside monthly data.



REAL ESTATE IS ASPIRATIONAL

Homes, office towers, and other properties are not always just assets to be bought and sold. It's not all about the price index for many people. People develop emotional ties to real estate, whether they own it or not. Keep eye-catching and thought-provoking properties in mind, including historical properties in your community. The aspirational nature of real estate is why, for example, housing has a whole channel dedicated to it.

THERE IS NO PERFECT INDICATOR

No single measure exactly covers activity in real estate – or any market – perfectly. This is true for any business beat as even the Dow Jones Industrial Average has its faults. Your job is to explain the trends even when indicators are telling different stories. Showing "conflicting signals" is not a crime and will help your readers stay fully informed.

AVOID HYPERBOLE

Real estate is an industry filled with strong-willed salespeople with a bad habit of overzealous use of superlatives, whether it be describing a property or a market trend. Plus, they frame every tidbit as a reason to buy. Be vigilant. Watch for insanely colorful portraits of properties, and try to keep boosterism to a minimum. Not every trend is a once-in-a-lifetime or sea-change moment.

CONSTRUCTION MATTERS

Trends in construction employment can be early signals of economic turns. Quotes and anecdotes from those working on construction sites, lumber yards, and the like can make real estate stories more engaging for your readers. Don't forget about the remodelers in your community that are modernizing old homes or turning office buildings into new apartments.

CONVENTIONAL WISDOM CAN BE WRONG

Just because something hasn't happened before – or in three-quarters of a century – doesn't mean it can't happen. This 2008 real estate downturn broke many real estate "truths" – from wild swings in buying and lending patterns as household formation took a sudden turnabout. Bottom line: challenge industry norms and expect the unexpected.

RESOURCES

A plethora of groups and companies track the real estate market. Since the math involved is part science, part art – as groups tend to choose the data that works for the story they want to tell – it can help to look at a range of data sets to provide your audience with the proper perspective. If trends conflict, try your best to explain the data differences, and look at long-term trends – year-over-year stats – for a more comprehensive market view.

Try to find experts in your local community who may track the markets you watch in intimate detail. Here's a sampling of national data providers, many of whom provide regional data.

CoreLogic

Press Releases

Trade group that follows pricing and buying activity on a national basis (monthly) and 300-plus regional quarterly basis.

Federal Housing Finance Agency

Press Releases

Regulator that follows pricing on a national (monthly) and 300-plus regional quarterly basis.

Freddie Mac

Press Releases

Government mortgage investor that tracks mortgage rates on a weekly basis.

RealtyTrac

Press Releases

Private data tracker of national and regional foreclosure/default data on a monthly basis.

Standard & Poor's/Case-Shiller

Home Price Indices

Perhaps the most widely watched monthly price index, although it only tracks 20 major markets and is weeks behind other data reports.

U.S. Census Bureau

Has a number of construction-related statistics that can be helpful to keep an eye on including, construction employment, construction spending, and building permits which are an indicator of builders' future intentions.

TERMS TO KNOW

Like any other industry, real estate has its own lingo. Here's a slice of the vocabulary needed to succeed in covering this beat.

Adjustable-rate mortgage (ARM)

This is a home loan where the interest rate and resulting monthly house payments vary over the time of the loan. Some ARMs offer teaser rates with initial, discounted payments. This was a key culprit in the 2008 real estate debacle as lenders allowed borrowers to get these loans despite the fact the borrower could not pay for the higher adjusted rate.

Appraisal

Third-party evaluation of the value of real estate. This is often completed for the application of a mortgage as part of a purchase or refinance transaction. The evaluator sets an "appraised value" on the property.

Capitalization rate (or cap rate)

This is a profitability metric used to determine the return on investment of a real estate property. To calculate, divide the expected generated income by purchase price or value of the property. This can help determine the "riskiness" of an investment opportunity. A higher rate implies a higher risk and vice versa.

Closed sale

These homes have formally changed ownership with a transaction recorded in government databases.

Closing costs

These are fees due at the closing of a real estate transaction in addition to the property's purchase price. This can include real estate commissions, taxes, insurance, and record filing fees. With most home sales, buyers and sellers both pay closing costs. While sellers usually pay them by deducting the costs from the sale proceeds, buyers usually pay them out of their pocket.

Commercial real estate

This is property that is used for business purposes rather than a personal living space, such as office buildings, malls, hotels, factories, etc. This can also include apartments, which depending on the region can be considered commercial or residential real estate.

Commission

What is paid – typically a percentage of the property sales price – to the real estate professional(s) for negotiating the transaction. Traditionally, the seller pays the fee.

Comparative sales (comps)

This is information about transactions of similar properties used to help determine a property's value by comparing similar properties recently sold.

Concessions

A benefit or discount offered to buyers, sellers, or renters to close a deal – whether that be a home sale or rental lease. For home sellers, concessions can include things such as covering the cost of repairs or new appliances. Renters may be offered concessions such as "1-month free" or waiving fees.

Conforming mortgage
These are mortgages that meet the criteria of Fannie Mae or Freddie Mac and cannot exceed a certain dollar amount set by the Federal Housing Finance Agency. This amount changes each year to reflect the change in the average U.S. home price and may vary in some parts of the U.S. In 2024, that amount was increased to $766,550. These mortgages have traditionally offered lower rates due to the government backing of the loans.

Credit score
Various credit trackers have scoring tools that measure a person's likelihood of repaying their loans. This is a key ingredient in the loan application process and will impact a borrower's interest rate. The higher the credit score the more likely a buyer is to get a lower rate.

Deed in lieu
Used to avoid the pain and hassle of foreclosure, a strategy whereby the owner turns ownership of a property over to the lender to fulfill the debt.

Default
When a borrower falls behind on mortgage payments, the lender will officially notify the borrower that they are in legal "default" of the terms of their mortgage. This typically leads to the start of the foreclosure process.

Delinquency
When a borrower doesn't make their payment within a specified time of the due date, typically 30 days.

Direct mortgage lender
A person or entity that makes home loans with either their own personal funds or funds collected from investors.

Effective rent
Measure of what landlords effectively get from their tenants. Calculated by taking the rate of rent asked for minus any concessions (benefits/discounts) it takes to get those tenants into a rental unit or apartment such as "1-month free."

Equity
This is the difference between what a borrower owes on a mortgage and what the home is currently valued at.

Eviction
A civil legal process where the owner of a property has a tenant, or squatter, physically removed from the premises.

Existing home
Old or "used" homes in contrast to newly constructed residences that have not yet had previous occupants. Many groups, notably the National Association of Realtors, track sales of existing homes.

Federal Housing Administration (FHA)
Overseen by the U.S. Department of Housing and Urban Development, this agency's goal is to advance home ownership in the nation. Its primary service is providing insurance for lenders to cover losses if a borrower defaults.

Flipping
Where an investor buys a property (they'll sometimes repair or improve it) and then resells it quickly in hopes of profit.

Foreclosure
A legal process where a lender attempts to recover the balance of a mortgage when a borrower has stopped making payments by forcing the sale of the property, often at an auction.

FSBO or "fizz-bo"
Homes that are "For Sale By Owner" are marketed by the owner with little to no help from a real estate professional.

Home Equity Line of Credit (HELOC)
An "open-end" line of credit that allows borrowers to repeatedly borrow against the value of their home. The general premise of a HELOC is similar to that of a credit card, however, a HELOC uses the home as collateral for nonpayment and credit cards have no collateral attached to them. This can allow borrowers to make large purchases for their home with a lower interest rate than a typical credit card would allow them to. Borrowers typically need to have at least 20% equity in their home, but this can vary by lender.

Homeowners Association (HOA)
These legal entities are elected by owners of properties in a community and govern certain aspects of ownership within those communities. These are frequently seen as keeping the "spirit" of a master-planned community. HOAs collect dues, either monthly or annually, and can legislate everything from the type of landscape homes use, to the design and color of homes, as well as maintaining recreational facilities and landscaping in common areas in the community.

Infill development
Building on either unused or underutilized land within existing development, most commonly in urban areas. This may mean tearing down older buildings or structures to redesign the space for growing communities.

Jumbo mortgage
Home loans that exceed the dollar limit for loans bought by the Federal Housing Finance Agency and therefore cannot be bought, secured, or guaranteed by government programs like Fannie Mae or Freddie Mac. In 2024, that amount was $766,550. These mortgages have more rigorous credit requirements for borrowers and have higher interest rates than conforming mortgages due to the risk of their larger size and the lack of government backing.

Loan modification
This is a change made to the terms of an existing loan by a lender that is granted when a borrower is in financial trouble and cannot repay their loan. This can often be viewed as a settlement when the lender decides that a loan modification will be less costly than foreclosure. It can involve the extension of the loan length, a reduction in the interest rate, a change in the type of loan or a combination of any of the three. There are government programs to assist borrowers, and most successful modifications involve professional legal assistance.

Loan to Value (LTV) Ratio
This is a measure to compare the amount borrowed with the appraised value of a property being financed. The higher a down payment, the lower the LTV. In a purchase transaction, LTV is the reverse of the down payment percent put forth by the buyer – 20% down equals 80% LTV.

Master planned community (MPC)
A type of development where a community is planned out from the start of the project including housing, schools, parks, office space, shopping center, etc. rather than created organically over time. They are essentially self-contained towns.

Median price
This statistical benchmark measures the midpoint of a series of data points, such as the median selling price of homes in a given period. Unlike an average, it is not easily swayed by one unusually large or tiny price. Unfortunately, medians can be swayed by the change of mix of homes sold, such as more or less expensive homes being sold in a given period. The National Association of Realtors tracks this.

Mortgage broker
Independent licensed person or agency that connects borrowers with lenders. They can help borrowers find the best mortgage for their needs by shopping around with many lenders.

Mortgage interest deduction
This is an itemized deduction on income taxes for the interest paid on home mortgages.

Mortgage-backed securities (MBS)
Also referred to as a "mortgage bond." These are derived from pools of home loans that have been packaged into tradable securities for investors. Once viewed as ultra-safe investments, the placement of risky subprime loans into these pools helped create the 2008 real estate debacle.

Multiple Listing Service (MLS)
This is a broker-operated electronic service created by real estate professionals for other real estate professionals that tracks and publicizes properties for sale in a region to help connect sellers and buyers more easily.

Negative amortization
This is when the principal balance on a loan increases over time due to unpaid interest that is added to the loan balance. Certain types of mortgages can allow borrowers to determine how much interest they pay during a set period to reduce their payment and the unpaid amount is added to the principal balance. These loans are commonly considered predatory as they may be more costly for borrowers in the long term. Many states heavily restrict or ban these types of loans.

Occupancy rate
A measure of how much of a commercial real estate property – or pools of such properties – is leased out. It's one way to compare the tenant interest for a specific type of commercial real estate. (Number of spaces leased/Number of total spaces) x 100 = occupancy rate as a %

Pending sale
Home purchases that are under contract but not yet closed. These pending sales indicate the current level of homebuying activity. The National Association of Realtors tracks the amount of pending sales.

Points
These are essentially a form of prepaid interest that is paid upfront to a lender in exchange for a lower interest rate. 1 point is equal to 1 percent of the loan amount. On a $100,000 loan, 1 point would be $1,000.

Pre-approved and Pre-qualified
To be pre-approved means a borrower has gotten a lender to commit to lend a fixed loan amount based on a completed and approved loan application without a specific property in mind. Although commonly used interchangeably with pre-qualified, there are differences between the two terms. Pre-qualified is the first step to becoming pre-approved and merely gives the borrower an idea of what amount they might be pre-approved for. Being pre-approved can speed up the buying process when house shopping and let buyers know what they can reasonably search for based on their financial situation.

Real estate agent / Realtor
A person who sells or rents housing or other buildings for clients. They do not have to be a Realtor (note the capital R, as the word is trademarked). Realtors are real estate agents who are members of The National Association of Realtors (also spelled in all capital letters as "REALTOR").

Real estate investment trusts (REIT)
These "reets" are pooled investments of income-generating real estate, such as apartments, office buildings, warehouses, and cell towers, modeled after mutual funds. Investors get a steady income stream without actually owning the property. REITs can be traded like stocks on Wall Street or be privately held.

Real estate owned (REO)
Refers to a lender-owned property that was not sold at a foreclosure auction. Frequently, banks sell REO homes and other real estate at discounted prices.

Reverse Mortgage
This type of loan allows homeowners over the age of 62 to borrow against the value of their home to convert equity in their home into available income. Instead of making payments to a lender, the lender makes payments to the homeowner – either in a lump sum, monthly payments, or as a line of credit – in exchange for transferring that amount of equity to the lender. Ownership remains with the senior until death, or the sale of the home.

Servicer
Slice of the mortgage business that collects mortgage payments from borrowers and advances those payments – minus a fee – to the owner of the mortgage, while handling the day-to-day tasks of managing the loan. This is frequently a different entity than the lender who made the loan.

Short sale
When a borrower sells their home for less than the amount owed to the lender due to dire financial trouble. This happens when the borrower can no longer afford the mortgage payments and they owe more than the home is valued for. These deals require banker approval and borrowers must submit an application and prove financial hardship.

Subprime mortgage
Home loans made to borrowers with risky credit histories with higher than average interest rates to offset the risk to the lender. The overuse of these loans helped lead to the 2008 financial crisis.

Tear down
Situation where an existing building is bought for its land value and the new property owner plans to demolish it for a new structure.

Teaser rate
Discounted starting interest rate on an adjustable-rate mortgage for a predetermined amount of time. When that time ends, the borrower has to pay a higher rate. This was another factor of the 2008 financial crisis when lenders did not check if borrowers could afford payments after the teaser rate ended.

Title insurance
Financial protection for lenders and buyers of real estate to protect them from any legal challenges resulting from the transfer of the property – such as by back taxes, liens, and conflicting wills – where ownership or third-party's rights/interests to the property are later called into question.

Underwater mortgage
A situation where a borrower owes more than a property is worth. These borrowers are thought to be more susceptible to foreclosure. This is also called being "upside down" for being in "negative equity."

This chapter is based on the "Beats Basics" Real Estate section, originally published in 2012 and written by Jonathan Lansner, a reporter at The Orange County Register.

Annual Percentage Rate (APR)

This measures the cost of credit in terms of a yearly rate. It's not just the stated interest rate – it includes the cost of acquiring that credit such as related closing fees. This differs from credit cards where the interest rate and the APR are typically the same amount. Federal law details the formula for APRs quoted by lenders.

$$\text{APR} = \left(\left(\frac{\frac{\text{Fees + Interest}}{\text{Principal}}}{n}\right) \times 365\right) \times 100$$

Government Sponsored Enterprise (GSE)

These are quasi-governmental entities created by Congress to provide public financial services, including mortgages. Fannie Mae and Freddie Mac are GSEs. They do not loan money directly, but rather buy mortgages from private lenders, thereby providing money to lenders to keep lending.

Fannie Mae/Freddie Mac

GSEs started by the federal government to facilitate financing for housing; Fannie (formally known as the Federal National Mortgage Association) and Freddie (the Federal Home Loan Mortgage Corporation) were put into conservatorship in 2008, when the government stepped in to guarantee the debt of the GSEs.

Ginnie Mae

The Government National Mortgage Association (GNMA) is a government-owned agency overseen by the U.S. Department of Housing and Urban Development. It pools mortgages backed by Federal Housing Administration and the Veterans Administration for resale to investors.