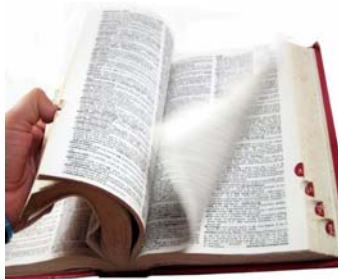


Real Estate Glossary



Glossary Of Real Estate Terms

A

Acceptance - A buyer's or seller's agreement to enter into a contract and be bound by the terms of the offer.

Additional Principal Payment - A payment made by a borrower of more than the scheduled principal amount due, in order to reduce the outstanding balance on the loan, to save on interest over the life of the loan and/or pay off the loan early.

Adjustable Rate Mortgage (ARM) - stands for Adjustable Rate Mortgage, also referred to as a Variable Rate Mortgage. They both mean the same thing. An ARM is a mortgage with an interest rate that adjusts periodically to reflect changes in market conditions. Your mortgage payments are adjusted up or down (usually on an annual basis) as the interest rate changes. To protect you in a rising interest market, rate increases are limited (usually 2 percentage points annually; 6 percentage points over the life of the loan).

Amenity - A feature of real property that enhances its attractiveness and increases the occupant's or user's satisfaction, although the feature is not essential to the property's use. Natural amenities include a pleasant or desirable location near water, scenic views, etc. Man-made amenities include swimming pools, tennis courts, community buildings, and other recreational facilities.

Amortization - The gradual repayment of a home loan by periodic installments.

Amortization Schedule - A timetable for payment of a home loan. An amortization schedule shows the amount of each payment applied to interest and principal and the remaining balance after each payment is made.

Amortization Term (period) - The amount of time it takes to pay off the loan. The amortization term is expressed as a number of months. For example, for a 30 year fixed rate loan, the amortization term is 360 months.

Amortize - To repay a loan with regular payments that cover both principal and interest.

Annual Percentage Rate (APR) - stands for Annual Percentage Rate. This refers to the interest rate that reflects the actual cost of a mortgage as a yearly rate. Because APR includes points and other costs associated with the mortgage, it's usually higher than the advertised simple interest rate. The APR more accurately reflects what you'll be paying and allows you to compare different mortgages based on actual costs.

Application (or 1003) - A form to be completed by a home loan applicant with the lender's assistance to provide pertinent information about a prospective borrower's employment, income, assets, debts and other financial information, about the purpose of the home loan, and about the property securing the home loan. Lenders also sometimes call it a 1003-the form number of Fannie Mae's standard application form.

Application Fee - A fee usually paid at the time an application is given to a lender for helping to complete and review an application. Some lenders collect fees for a property appraisal and a credit report, instead of an application fee, at the time of application.

Appraisal - An estimate of the value of a home, made by a professional appraiser. The maximum amount of the mortgage is usually based on the appraisal.

Appraised Value - The dollar figure for a property's estimated fair market value, based on an appraiser's knowledge, experience, and analysis of the property and comparable properties near by.

Appraiser - A person qualified by education, training, and experience to estimate the value of real property.

Appreciation - An increase in the value of a property due to changes in market conditions or other causes. Inflation, increased demand, home improvement, and sweat equity are all causes of appreciation. The opposite of depreciation.

Assessed Value - The value used to determine property taxes, based on a public tax assessor's opinion. Contrast with appraised value.

Assessment - The amount of tax due to local government. May also refer to the amount due to local government or to common owners of a property (e.g., a homeowner's association) for a special payment to cover expenses for improvements or maintenance, such as new sewers or roads.

Assessment Rolls - A public record of the assessed value of property in the taxing jurisdiction.

Assessor - A public official who establishes the value of a property for taxation purposes.

Asset - Anything of monetary value that is owned by a person. Assets include real property, personal property, and enforceable claims against others (including bank accounts, stocks, mutual funds, and so on).

Assumable Loan - A home loan that allows a new purchaser of the home to take over ("assume") the loan obligations of the seller when a home is sold.

Assumption Clause - A provision in an assumable loan that allows a buyer to assume responsibility for the home loan from the seller. The loan does not need to be paid in full by the original borrower (seller) upon sale or transfer of the property.

Assumption Fee - The fee paid to a lender (usually by the buyer) for the lender's agreement to start collecting payment from the buyer instead of the original borrower (seller).

B

Balance Sheet - A financial statement that shows an individual's assets, liabilities, and net worth as of a specific date.

Balloon Loan - A loan that has level monthly payments that will amortize it over a stated term (e.g., 30 years) but that requires a lump sum payment of the entire principal balance at the end of a shorter term (e.g., 10 years).

Balloon Payment - The final lump sum payment that is made at the end of the shorter term for a balloon loan and pays the loan in full.

Bankrupt - A person, firm, or corporation that is financially unable to pay debts when due. The debtor seeks relief through a court proceeding to work out a payment schedule or erase debts. In some cases, the debtor must surrender control of all assets to a court-appointed trustee.

Bankruptcy - A proceeding in a federal court in which a debtor who is financially unable to pay debts when due seeks relief to work out a payment schedule or erase debts.

Bill Of Sale - A written document that transfers title to personal property from seller to buyer.

Biweekly Payment Loan - A loan that requires payments to reduce the debt every two weeks (instead of the standard monthly payment schedule). The 26 (or possibly 27) biweekly payments are each equal to one-half of the monthly payment that would be required if the loan were a standard 30 year fixed rate loan, and they are usually drafted from the borrower's bank account. The result for the borrower is faster amortization leading to substantial interest savings from faster principal reduction.

Bond - An interest-bearing certificate of debt with a maturity date. A real estate bond is a written obligation usually secured by a mortgage or a deed of trust.

Breach - A violation of terms of any legal obligation.

Break Even Point - Point at which total income equals total expenses.

Bridge Loan - A type of mortgage financing between the termination of one loan and the start of another loan. For example, a mortgage secured by the borrower's present home (which is usually up for sale) in a manner that allows the proceeds to be used for closing on a new house before the present home is sold. Also known as a "swing loan."

Broker - A person who is normally licensed by the state and who, for a commission or a fee, assists in negotiating a real estate transaction or negotiating the terms of a home loan. See mortgage broker.

Budget - A detailed plan of income and expenses expected over a certain period of time. A budget can provide guidelines for managing future investments and expenses.

Building Code - Local regulations that specify minimum structural requirements for design of, construction of, and materials used in a home or office building. Building codes are based on safety and health standards.

Buydown Account - An account in which funds are held so that they can be applied as part of the monthly loan payment as each payment comes due during the period that an interest rate buydown plan is in effect. For example, if a seller agrees to help reduce a buyer's monthly payment during the first year of a loan, the seller may put money in a buydown account which is then paid to the lender each month to reduce the buyer's monthly payment. This is more commonly done through a buydown paid directly to the lender at closing.

Buydown - A temporary buydown gives a borrower a reduced monthly payment during the first few years of a home loan and is typically paid for in an initial lump sum made by the seller, lender, or borrower. A permanent buydown is paid the same way but reduces the interest rate over the entire life of a home loan.

C

Call Option - A provision in a loan that gives the lender the right to accelerate the debt, and require for full payment of the loan immediately, at the end of a specified period or for specified reason.

Cap - A provision of an adjustable-rate mortgage (ARM) that limits how much the interest rate or loan payments may increase or decrease. In upward rate markets, it protects the borrower from large increases in the interest rate or monthly payment. See lifetime payment cap, lifetime rate cap, periodic payment cap, and periodic rate cap.

Capital - (1) Money used to create income, either as an investment in a business or an income property. (2) The money or property comprising the wealth owned or used by a person or business enterprise. (3) The accumulated wealth of a person or business. (4) The net worth of a business represented by the amount by which its assets exceed liabilities.

Capital Expenditure - The cost of an improvement made to extend the useful life of a property or to add to its value, such as adding a room. The cost of repairing a property is not a capital expenditure. Capital expenditures are appreciated over their useful life; repairs are subtracted from income for the current year.

Capital Improvement - Any structure or component erected as a permanent improvement to real property that adds to its value and useful life. See Capital Expenditure.

Cash Available For Closing - Borrower funds available to cover down payment and closing costs. If lending guidelines require the borrower to have cash reserves at the time the loan closes or that the down payment come from certain sources, borrower's cash available for closing does not include cash reserves or money from other sources.

Cash Flow Basis - This calculation shows when your monthly payment savings exceed your estimated closing costs and discount points. It does not consider the tax impact or differences in principal balance reduction between your current loan and the refinance suggestions. You can use the Amortization Schedule Calculator to compare principal reduction.

Cash For Transaction - Enter the amount you want to use toward closing costs (discount points and fees) and/or to reduce your loan balance. In situations where your loan balance is above the

conforming amount, reducing the principal may allow you to get a lower rate. Enter zero if you want a no-point loan and/or to finance the closing fees.

Cash-Out Refinance - A refinance transaction in which the new loan amount exceeds the total of the principal balance of the existing first mortgage and any secondary mortgages or liens, together with closing costs and points for the new loan. This excess is usually given to the borrower in cash and can often be used for debt consolidation, home improvement, or any other purpose. The borrower effectively borrows against the home equity.

Ceiling - The maximum interest rate that can accrue on a variable rate loan or adjustable rate mortgage (ARM). See lifetime rate cap.

Certificate Of Eligibility - A document issued by the federal government certifying a veteran's eligibility for a Department of Veterans Affairs (VA) loan.

Certificate Of Reasonable Value (CRV) - A document issued by the Department of Veterans Affairs (VA) that establishes the maximum value and loan amount for a VA loan, based on an approved appraisal.

Certificate Of Title - A statement provided by an abstract company, title company, or attorney stating who holds title to real estate based on the public record.

Chain Of Title - The history of all of the documents affecting title to a parcel of real property, starting with the earliest existing document and ending with the most recent.

Clear Title - A title that is marketable and is free of liens or disputed legal questions as to ownership of the property.

Closing - The conclusion or consummation of a transaction. In real estate, closing includes the delivery of a deed, the signing of notes and security instruments, and the disbursement of funds necessary to the sale or loan transaction. Also referred to as settlement.

Closing Cost Item - A fee or amount that a home buyer must pay at closing for a particular service, tax, or product. Closing costs are made up of individual closing cost items such as origination fees and attorney's fees. Many closing cost items are included as numbered items on the HUD-1 settlement statement.

Closing Costs - Various expenses (over and above the price of the property) incurred by buyers and sellers in transferring ownership of a property. Closing costs normally include items such as broker's commissions, discount points, origination fees, attorney's fees, taxes, title insurance premiums, escrow agent fees, and charges for obtaining appraisals, inspections and surveys. Closing costs will vary according to the area of the country. Lenders or real estate professionals often provide estimates of closing costs to prospective home buyers even before the HUD-1 settlement statement is delivered.

Closing Statement - An accounting of funds given to both buyer and seller before real estate is sold. See HUD-1 settlement statement.

Cloud On Title - An outstanding claim or lien, revealed by a title search, that adversely affects the owner's title to real estate. Usually, clouds on title cannot be removed except by a quit claim deed, release, or court action.

Coinsurance - A sharing of insurance risk between the insurer and the insured. Coinsurance depends on the relationship between the amount of the policy and a specified percentage of the actual value of the property insured at the time of the loss.

Coinsurance Clause - A provision in a hazard insurance policy stating the minimum amount of coverage that must be maintained - as a percentage of the total value of the property - in order for the insured to collect the full amount of a loss.

Combined Loan To Value (CLTV) - The ratio of the total amount borrowed on all mortgages against a property compared to the appraised value of the property. For example, if you have an \$80,000 1st mortgage and a \$10,000 2nd mortgage on a home with an appraised value of \$100,000, the CLTV is 90% ($\$80,000 + \$10,000 = \$90,000 / \$100,000 = 90\%$).

Commission - The fee charged by a broker or agent for negotiating a real estate or loan transaction. A commission is generally a percentage of the price of the property or loan (such as 3%, 5%, or 6%).

Commitment Letter - A formal notification from a lender stating that the borrower's loan has been conditionally approved and specifying the terms under which lender agrees make the loan. Also known as a "loan commitment."

Common Area Assessments - Payments required of individual unit owners in a condominium or planned unit development (PUD) project for additional capital to defray homeowners' association costs and expenses and to repair, replace, maintain, improve, or operate the common areas of the project.

Common Areas - Those portions of a building, land, and amenities owned (or managed) by a planned unit development (PUD) or condominium project's homeowners' association (or a cooperative project's cooperative corporation) that are used by all of the unit owners, who share in the common expenses of their operation and maintenance. Common areas include swimming pools, tennis courts, and other recreational facilities, as well as common corridors of buildings, parking areas, means of ingress and egress, etc.

Community Property - In some Western and Southwestern states, the law specifies that property acquired during a marriage is presumed to be owned jointly by the husband and wife unless acquired as separate property of one spouse or the other.

Community Seconds - An alternative financing option for low- and moderate-income households under which an investor purchases a first mortgage that has a subsidized second mortgage behind it. The second mortgage may be issued by a state, county, or local housing agency, foundation, or nonprofit organization. Payment on the second mortgage is often deferred and carries a very low interest rate (or no interest rate at all). Part or all of the second mortgage debt may be forgiven depending on how long the buyer remains in the home.

Comparables (comps) - An abbreviation for "comparable properties"; used for comparative purposes in the appraisal process. Comparables are properties like the property under consideration; they have reasonably the same size, location, and amenities and have recently been sold. Comparables help the appraiser determine the approximate fair market value of the subject property.

Compound Interest - Interest paid on the principal balance and on the accrued and unpaid interest.

Condemnation - (1) Declaration that a building is unfit for use or is dangerous and must be destroyed; (2) taking of private property for a public use (such as a park, street or school) through an exercise of the right of eminent domain.

Condominium - A real estate project in which each unit owner has title to a unit in a multi-unit building, an undivided interest in the common areas of the project, and sometimes the exclusive use of certain limited common areas.

Condominium Conversion - Changing the ownership of an existing building (usually a rental project) to the condominium form of ownership.

Condominium Hotel (condotel) - A condominium project that has rental or registration desks, short-term occupancy, food and telephone services, and daily cleaning services and that is operated as a commercial hotel even though the units are individually owned.

Conforming Loan - A home loan with a maximum loan amount of \$252,700 that is eligible for purchase by FNMA and FHLMC.

Construction loan - A short-term, interim loan for financing the cost of home construction. The lender makes payments to the builder at periodic intervals as the work progresses.

Consumer Reporting Agency (or bureau) - An organization that prepares reports that lenders use to determine a potential borrower's credit history. The agency obtains data for these reports from a credit repository as well as from creditors such as mortgage lenders, credit card companies, department stores, etc.

Contingency - A condition that must be met before a contract is legally binding. For example, home purchasers often include a contingency that specifies that the contract is not binding until the purchaser obtains a satisfactory home inspection report from a qualified home inspector.

Contract - An oral or written agreement to do or not do something.

Conventional Loan - A home loan that is not insured or guaranteed by the federal government. Contrast with government loan. Can be for conforming or non-conforming loan amounts.

Convertibility Clause - A provision in some adjustable rate mortgages (ARMs) that allows the borrower to change the ARM to a fixed rate loan at specified times during the life of the loan.

Convertible ARM - An adjustable rate mortgage (ARM) that can be converted to a fixed rate loan under specified conditions.

Cooperative (co-op) - A type of multiple ownership in which the residents of a multi-unit housing complex own shares in the cooperative corporation that owns the property, giving each resident the right to occupy a specific apartment or unit.

Corporate Relocation - Arrangements under which an employer moves an employee to another area as part of the employer's normal course of business or under which it transfers a substantial part or all of its operations and employees to another area because it is relocating its headquarters or expanding its office capacity.

Co-Signer - A person who signs a promissory note along with the borrower. A co-maker's signature helps to assure that the loan will be repaid. The borrower and the co-maker are jointly

responsible
for the repayment of the loan.

Cost Of Funds Index (COFI) - An index that is used to determine interest rate changes for certain adjustable-rate mortgage (ARM) plans. It represents the weighted-average cost of savings, borrowings, and advances of the 11th District members of the Federal Home Loan Bank of San Francisco. See adjustable-rate mortgage (ARM).

Covenant - A promise in a mortgage or deed that requires or prevents certain uses of the property that, if violated, may result in loss or foreclosure of the property.

Credit - An agreement in which a borrower receives money or something of value in exchange for a promise to repay the lender on specified terms at a later time.

Credit History - An evaluation of an individual's capacity and history of debt repayment. A credit history helps a lender to determine whether a potential borrower is likely to repay a loan in a timely manner.

Credit Life Insurance - A type of insurance that pays off a loan if one of the borrowers dies while the policy is in force.

Credit Limit - The maximum amount that can be borrowed under the home equity line of credit.

Creditor - A person to whom money is owed.

Credit Rating - An expression of creditworthiness based upon present financial condition and past credit history.

Credit Report - A detailed account of the credit, employment and residence history of an individual used by a prospective lender to help determine creditworthiness. Credit reports also list any judgments, tax liens, bankruptcies or similar matters of public record entered against the individual.

Credit Repository (credit bureau) - An organization that gathers, records, updates, and stores financial and public records information about the payment records of individuals who are being considered for credit.

Credit Scoring - Credit scores are numerical values that rank individuals according to their credit history at a given point in time. Your score is based on your past payment history, the amount of credit you have outstanding, the amount of credit you have available, and other factors. According to Fannie Mae--one of the major investors in home loans, credit scores have proven to be very good predictors of whether a borrower will repay his or her loan.

Cumulative Interest - Total interest accrued.

Current PITI - This is an abbreviation for a monthly payment that includes principal, interest, taxes and insurance. In mortgage lending it is common for the monthly mortgage payment to include not only the principal and interest payment on the loan, but an escrow amount for real estate taxes and hazard insurance as well.

Curtailement - A payment that reduces the principal balance of a loan.

D

Debt - An amount owed to another. See installment loan and revolving liability.

Deed - The legal document conveying title to a property.

Deed-In-Lieu - A deed given by a borrower to the lender to satisfy a debt and avoid foreclosure. Also called a "voluntary conveyance."

Deed Of Trust - The document used in some states instead of a mortgage; title is vested in a trustee to secure repayment of the loan.

Default - Failure to make loan payments on a timely basis or to comply with other requirements of a mortgage.

Delinquency - Failure to make mortgage payments when due.

Deposit - A sum of money given to bind the sale of real estate, or a sum of money given to ensure payment or an advance of funds in the processing of a loan. See earnest money deposit.

Depreciation - A decline in the value of property because of physical or economic changes such as wear and tear; the opposite of appreciation.

Discount Points - Amounts paid to the lender at origination to lower the rate on the face of the note. See point.

Document Preparation - This fee covers the expenses associated with this process of preparing some of the legal documents that you will be signing at the time of closing, such as the mortgage, note, and truth-in-lending statement.

Down Payment - The part of the purchase price of a property that the buyer pays in cash and does not finance with a home loan.

Draw Period - The time period in which the borrower may access and use a line of credit.

Due-On-Sale Provision - A provision in a mortgage home loan that allows the lender to demand repayment in full if the borrower sells the property that serves as security for the loan.

Due-On-Transfer Provision - This terminology is usually used for second mortgages. See due-on-sale provision.

E

Earnest Money Deposit (Earnest Money) - A deposit made by the potential home buyer to show that he or she is serious about buying the house.

Easement A right of way giving to persons other than the owner to access to or over a property.

Effective Age - An appraiser's estimate of the physical condition of a building. The actual age of a building may be shorter or longer than its effective age.

Eminent Domain - The right of a government to take private property for public use upon payment of fair compensation to the owner. Eminent domain is the basis for condemnation proceedings.

Employer-Assisted Housing A special Fannie Mae housing initiative that offers several different ways for employers to work with local lenders to develop plans to assist their employees in purchasing homes.

Encroachment - An improvement that physically intrudes or trespasses on another's property.

Encumbrance - Anything that affects or limits the fee simple title to a property, such as mortgages, leases, easements, deeds, or restrictions.

Endorser - A person who signs a check or promissory note over to another party. Contrast with co-signer.

Equal Credit Opportunity Act (ECOA) - A federal law that requires lenders and other creditors to make credit equally available without discrimination based on race, color, religion, national origin, age, sex, marital status, or receipt of income from public assistance programs.

Equity - The value of your home after the outstanding balance of any loans are subtracted. If you make a 5 percent down payment, you have 5 percent of the price of your home in equity. As you make payments toward principal over time, the equity in your home grows.

Escrow - Can serve two purposes. 1)As a special third-party account set up by the lender in which a portion of your monthly payment funds are held to pay for taxes and insurance and other items. 2)Escrow is most commonly known as a third party who carries out the instructions of both the buyer and seller to handle the paperwork at the settlement of a real estate purchase.

Escrow (or Impound) Account - The account in which a loan servicer holds the borrower's escrow payments prior to paying property expenses, such as property taxes or homeowners insurance.

Escrow Analysis - The periodic examination of escrow accounts to determine if current monthly deposits will provide sufficient funds to pay taxes, insurance, and other bills when due.

Escrow Collections - Funds collected by the loan servicer and set aside in an escrow account to pay borrower expenses such as property taxes, mortgage insurance, and hazard homeowners insurance.

Escrow Disbursements - The use of escrow funds to pay real estate taxes, homeowners insurance, mortgage insurance, and other property expenses as they become due.

Escrow Payment - The portion of a borrower's monthly payment that is held by the loan servicer to pay for taxes, hazard homeowners insurance, mortgage insurance, lease payments, and other items as they become due. Known as "impounds" or "reserves" in some states.

Estate - The ownership interest of an individual in real property. The sum total of all the real property and personal property owned by an individual at time of death.

Eviction - A legal proceeding by a landlord to recover possession of real property from the tenant.

Examination Of Title - The report on the title of a property from the public records or an abstract of the title.

Exclusive Listing - A written contract that gives a licensed real estate agent the exclusive right to sell a property for a specified time, but reserving the owner's right to sell the property alone without the payment of a commission.

F

Fair Credit Reporting Act - A consumer protection law that regulates the disclosure and use of consumer credit information, establishes rules for credit reporting to consumer credit reporting agencies, and establishes procedures for a consumer to view his or her credit report and correct mistakes on it.

Fair Market Value - The price that a buyer, willing but not compelled to buy, and a seller, willing but not compelled to sell, would agree on.

Fannie Mae (Federal National Mortgage Association FNMA) - A New York Stock Exchange company and the largest non-bank financial services company in the world. It operates pursuant to a federal charter and is the nation's largest source of financing for home mortgages. It adds liquidity to the mortgage market by investing in home loans through the country.

Federal Housing Administration (FHA) - An agency of the U.S. Department of Housing and Urban Development (HUD). Its main activity is the insuring of residential mortgage loans made by private lenders. The FHA sets standards for construction and loan underwriting but does not lend money or plan or construct housing.

Fee Simple - An unconditional, unlimited estate of inheritance that represents the greatest estate and most extensive interest in land that can be enjoyed. It is of perpetual duration. When the real estate is in a condominium project, the unit owner is the exclusive owner only of the air space within his or her portion of the building (the unit) and is an owner in common with respect to the land and other common portions of the property.

FHA Coinsured Home Loan - A loan (under FHA Section 244) for which the Federal Housing Administration (FHA) and the originating lender share the risk of loss in the event of the borrower's default.

FHA Home Loan - A mortgage home loan that is insured by the Federal Housing Administration (FHA). Also known as a government loan.

Filing Status - Please enter here whether you file your income taxes as single, married, separated or head-of household.

Firm Commitment - A lender's agreement to make a loan to a specific borrower on a specific property.

First Mortgage (Home Loan) - A home loan that is the primary lien against a property.

Fixed Installment - The monthly payment due on a mortgage loan. The fixed installment includes payment of both principal and interest.

Fixed Period ARM - Provides a fixed rate for 3, 5, 7 or 10 years then adjusts annually based on a financial index for the remaining loan term.

Fixed Rate Mortgage - A mortgage with an interest rate that stays the same (fixed) over the life of the mortgage. Monthly payments for a fixed rate mortgage are very stable and will not change.

Fixture - Personal property that becomes real property when attached in a permanent manner to real estate (such as a lighting fixture or an in-ground spa).

Flood Check - A survey conducted to determine whether a property is in a flood zone.

Flood Insurance - Insurance that compensates for physical property damage resulting from flooding. It is required for properties located in federally designated flood areas.

Foreclosure - The legal process by which a borrower's interest in mortgaged property is taken because of a default on the loan. This usually involves a forced sale of the property at public auction with the proceeds of the sale being applied to the mortgage debt.

Forfeiture - The loss of money, property, rights, or privileges due to a breach of legal obligation.

401(k)/403(b) - An employer-sponsored investment plan that allows individuals to set aside tax-deferred income for retirement or emergency purposes. 401(k) plans are provided by employers that are private corporations. 403(b) plans are provided by employers that are not-for-profit organizations.

401(k)/403(b) Loan - Some administrators of 401(k)/403(b) plans allow for loans against the monies accumulated in these plans - monies must be repaid to avoid serious penalty charges.

Freddie Mac (Federal Home Loan Mortgage Corporation) - A federal agency within the Department of Housing and Urban Development (HUD), which insures residential mortgage loans made by private lenders and sets standards for underwriting mortgage loans.

G

Good Faith Estimate - A document provided when you apply for a loan. It provides estimates of all costs associated with obtaining and closing a mortgage loan.

Government Loan - A loan that is insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA) or the Rural Housing Service (RHS). Contrast with conventional loan.

Government National Mortgage Association (GNMA or Ginnie Mae) - A government-owned corporation within the U.S. Department of Housing and Urban Development (HUD). Created by Congress on September 1, 1968, GNMA assumed responsibility for the special assistance loan programs formerly administered by Fannie Mae.

Grantee - The person to whom an interest in real property is conveyed (e.g. the buyer).

Grantor - The person who conveys an interest in real property (e.g. the seller).

Gross Monthly Income - Normal annual income including overtime that is regular or guaranteed. The before taxes income may be from more than one source. Salary is generally the principal source, but other income may qualify if it is significant and stable.

Ground Rent - The amount of money that is paid for the use of land when title to a property is held as a leasehold estate rather than as a fee simple estate.

Group Home A single-family residential structure designed or adapted for occupancy by unrelated developmentally disabled persons. The structure provides long-term housing and support services that are residential in nature.

H

Homeowner's Insurance (Hazard Insurance) - Insurance coverage that compensates for physical damage to a property from fire, wind, vandalism, or other hazards. The policy typically combines personal liability insurance and property hazard insurance coverage for a dwelling and its contents. See also homeowner's insurance.

Home Equity Line Of Credit (HELOC) - A mortgage loan, which is usually in a subordinate position, that allows the borrower to obtain multiple advances of the loan proceeds at his or her own discretion, up to an amount that represents a specified percentage of the borrower's equity in a property.

Home Inspection - A thorough inspection that evaluates the structural and mechanical condition of a property. A satisfactory home inspection is often included as a contingency by the purchaser. Contrast with appraisal.

Homeowners' Association - A nonprofit association that manages the common areas of a planned unit development (PUD) or condominium project. In a condominium project, it has no ownership interest in the common elements. In a PUD project, it holds title to the common elements. See also master association.

Homeowner's Insurance - Insurance coverage that compensates for physical damage to a property from fire, wind, vandalism, or other hazards. The policy typically combines personal liability insurance and property hazard insurance coverage for a dwelling and its contents.

Homeowner's Warranty (HOW) - A type of insurance that covers repairs to specified parts of a house for a specific period of time. It may be provided by the builder or property seller as a condition of the sale but homeowners can also purchase it.

Housing Expense Ratio - The percentage of gross monthly income that goes toward paying housing expenses.

HUD Median Income - Median family income for a particular county or metropolitan statistical area (MSA), as estimated by the Department of Housing and Urban Development (HUD).

HUD-1 Settlement Statement - A document that provides an itemized listing of the funds that are payable at closing. Items that appear on the statement include real estate commissions, loan fees, points, and initial escrow amounts. Each item on the statement is represented by a separate number within a standardized numbering system. The totals at the bottom of the HUD-1 statement define the seller's net proceeds and the buyer's net payment at closing. The blank form

for the statement is published by the Department of Housing and Urban Development (HUD). The HUD-1 statement is also known as the "closing statement" or "settlement sheet."



Income Property - Real estate developed or improved to produce income.

Index - A number used to compute the interest rate for an adjustable-rate mortgage (ARM). The index is generally a published number or percentage, such as the average interest rate or yield on Treasury bills. A margin is added to the index to determine the interest rate that will be charged on the ARM. Some lenders provide caps that limit how much the interest rate or loan payments may increase or decrease.

In-File Credit Report - An objective account, normally computer-generated, of credit and other financial information obtained from a credit reporting agencies.

Inflation - An increase in the amount of money or credit available in relation to the amount of goods or services available, which causes an increase in the general price level of goods and services. Over time, inflation reduces the purchasing power of a dollar, making it worth less.

Initial Draw Amount - The amount of the home equity line of credit that the borrower is requesting at closing (up to, but never exceeding, the credit line amount).

Initial Interest Rate - The starting interest rate for an adjustable-rate mortgage (ARM) loan or variable-rate home equity line of credit. At the end of the effective period for the initial rate, the interest rate adjusts periodically during the life of the loan based on changes in a specified financial index. Sometimes known as "start rate," "intro rate" or "teaser rate."

Introductory Rate - The starting rate for a home equity loan or line of credit, usually a discounted rate, for a short period of time. See initial interest rate.

Installment Loan - Borrowed money that is repaid in equal payments, known as installments. A furniture loan is often paid for as an installment loan.

Insurable Title - A property title that a title insurance company agrees to insure against defects and disputes.

Insurance - A contract that provides compensation for specific losses in exchange for a periodic payment. An individual contract is known as an insurance policy, and the periodic payment is known as an insurance premium.

Insurance Binder - A document that states that insurance is temporarily in effect. Because the coverage will expire by a specified date, a permanent policy must be obtained before the expiration date.

Insured Mortgage - A mortgage that is protected by the Federal Housing Administration (FHA) or by private mortgage insurance (PMI). If the borrower defaults on the loan, the insurer must pay the lender the lesser of the loss incurred or the insured amount.

Interest - The amount the lender charges to lend you money.

Interest Accrual Rate - The percentage rate at which interest accrues on the mortgage. In most cases, it is also the rate used to calculate the monthly payments.

Interest Payment - The portion of a monthly payment that goes to interest based on the amortization schedule.

Interest Rate - The percentage rate of return charged for use of a sum of money. This percentage rate is specified in the mortgage note. See note rate.

Interest Rate Buydown Plan - A temporary buydown gives a borrower a reduced monthly payment during the first few years of a home loan and is typically paid for in an initial lump sum made by the seller, lender, or borrower. A permanent buydown is paid the same way but reduces the interest rate over the entire life of a home loan.

Investment Property - A property that is not occupied by the owner and is generally rented to a tenant to produce income.

J

Joint Tenancy - A form of co-ownership that gives each tenant equal undivided interest and rights in the property, including the right of survivorship. Contrast with tenancy in common, tenancy by the entirety.

Judgment - A decree by a court of law that one person, a debtor, is indebted to another, a creditor, in a specified amount. The court may place a lien against the debtor's real property as collateral for payment of the judgment to the creditor.

Judgment Lien - A lien on the property of a debtor resulting from a judgment.

Judicial Foreclosure - A type of foreclosure proceeding used in some states that is handled as a civil lawsuit where the court confirms the sales price for the property and the distribution of the sale proceeds.

Jumbo Loan - Any loan amount in excess of \$252,700. Also called a nonconforming loan.

L

Late Charge - The penalty a borrower must pay when a payment is made a stated number of days (usually 10-15) after the due date.

Lease - A written agreement between the property owner and a tenant that stipulates the conditions under which the tenant may use the real estate for a specified period of time and the amount of rent to be paid.

Leasehold Estate - A tenant's interest in or right to hold possession of a property.

Legal Description - A property description, recognized by law, using a government rectangular survey, metes and bounds, or a plot map to sufficiently locate and identify a property.

Lender's Fees - Fees paid to the lender to cover costs associated with processing, underwriting and closing of the loan.

Lending Guidelines - Every loan program has different guidelines. Guidelines are used to meet Federal, State and Local laws and enforce minimum requirements by the lender. Guidelines ensure that prospective borrowers won't purchase a home that they won't be able to afford.

Liabilities - A person's debts or financial obligations. Liabilities include long-term and short-term debt, as well as potential losses from legal claims.

Liability Insurance - Insurance coverage that offers protection against claims alleging that a property owner's negligence or inappropriate action resulted in bodily injury or property damage to another party. See also homeowners insurance.

Lien - A legal claim against a property that must be paid off when the property is sold. A lien is created when you borrow money to purchase or refinance a home loan or and with obtain a home equity loan.

Lifetime Rate Cap - For an adjustable-rate mortgage (ARM), a limit on the amount that the interest rate can increase or decrease over the life of the loan. See cap.

Line/Loan Amount - The entire HELOC or Fixed Rate Second mortgage loan amount.

Line Of Credit - An agreement by a lender to extend credit up to a certain amount for a certain time without the need for the borrower to file another application. See home equity line of credit.

Liquid Asset - A cash asset or an asset that is easily converted into cash.

Loan Amount - The amount of money you want to borrow to purchase or refinance a home. Also called the principal and is generally repaid over time with interest.

Loan Commitment - A lender's agreement to advance money on specified terms after specified conditions are met. See commitment letter.

Loan Origination - The process by which a mortgage lender makes a home loan and records a mortgage against the borrower's real property as security for repayment of the loan.

Loan Program - Typically a lender will have several types of loan programs available. They are described in accordance with the major features of the loan program. For example, a loan described as a "Fixed 30 Year" would mean that the interest rate and payment remain fixed over the thirty year life of the loan. A program described as "Fixed/ARM 5/1" means that the interest rate and payment remain fixed for the first five years, and then it is subject to adjustments every year thereafter.

Loan-To-Value Ratio - The ratio of the total amount borrowed on a mortgage against a property compared to the appraised value of the property. For example, if you have an \$80,000 1st mortgage on a home with an appraised value of \$100,000, the LTV is 80% ($\$80,000 / \$100,000 = 80\%$).

Lock-In - A written agreement in which the lender guarantees a specified loan program interest rate and points if a mortgage goes to closing within a set period of time.

Lock-In Period - The time period during which the lender has guaranteed an interest rate to a borrower. See lock-in.

M

Margin - For an adjustable-rate mortgage (ARM) or home equity line of credit, the amount that is added to the index to establish the interest rate on each adjustment date, subject to any limitations on the interest rate change. The margin is static and will not change during the life of the loan.

Master Association - A homeowners' association in a large condominium or planned unit development (PUD) project that is made up of representatives from associations covering specific areas within the project. In effect, it is a "second-level" association that handles matters affecting the entire development, while the "first-level" associations handle matters affecting their particular portions of the project.

Maturity - The date on which the principal balance of a loan, bond, or other financial instrument becomes due and payable. At the maturity of a 30-year loan the principal balance will be paid in full.

Maximum Financing - The maximum amount a lender will lend on a specific loan program.

Maximum Rate - The maximum interest rate that can accrue on a variable rate loan

Merged Credit Report - A credit report that contains information from more than one credit reporting agency. When the report is created, the information is compared for inconsistencies and duplicate entries. Any duplicates are combined to provide a summary of a your credit.

Minimum Payment - The minimum amount that must be paid monthly on an account. On the HELOC product, the minimum payment is interest only during the draw period. On the Fixed Rate Second products, the minimum payment is principal and interest.

Modification - The act of changing any of the terms of the mortgage.

Money Market Account - A savings account that provides bank depositors with many of the advantages of a money market fund. Certain regulatory restrictions apply to the withdrawal of funds from a money market account.

Money Market Fund - A mutual fund that allows individuals to participate in managed investments in short-term debt securities, such as certificates of deposit and Treasury bills.

Monthly Debt - A borrower's monthly expenses including credit cards, installment loans, student loan payments, alimony and child support and housing payment expense.

Monthly Mortgage Insurance (MI) Payment - Portion of monthly payment that covers the cost of Private Mortgage Insurance.

Monthly Principal & Interest (P&I) Payment - Portion of monthly payment that covers the principal and interest due on the loan.

Monthly Taxes & Insurance (T&I) Payment - Portion of monthly payment that funds the escrow or impound account for taxes and insurance.

Monthly Payment (P&I) - This is the monthly mortgage payment on a home loan, this includes principal and interest, but excludes any amounts that are applied to taxes and insurance.

Mortgage - A legal document that pledges a property to the lender as security for payment of a debt.

Mortgage Banker - A company that originates, sells and services mortgages exclusively for resale in the secondary mortgage market.

Mortgage Broker - An individual or company that brings borrowers and lenders together for the purpose of loan origination. Mortgage brokers typically require a fee or a commission for their services.

Mortgagee - The lender in a mortgage agreement.

Mortgage Insurance - A contract that insures the lender against loss caused by a borrower's default on a government mortgage or conventional mortgage. Mortgage insurance can be issued by a private company or by a government agency such as the Federal Housing Administration (FHA). Depending on the type of mortgage insurance, the insurance may cover a percentage of or virtually all of the mortgage loan. See private mortgage insurance (PMI).

Mortgage Insurance Premium (MIP) - The amount paid by a borrower for mortgage insurance, either to a government agency such as the Federal Housing Administration (FHA) or to a private mortgage insurance (MI) company.

Mortgage Life Insurance - A type of term life insurance sometimes bought by borrowers. The amount of coverage decreases as the loan's principal balance declines. In the event that the borrower dies while the policy is in force, the debt is automatically satisfied by insurance proceeds. See credit life insurance.

Mortgagor - The borrower in a mortgage agreement.

Multi-Dwelling Units - Properties that provide separate housing units for more than one family, although they secure only a single mortgage. Typically a 2-4 unit property.

N

Negative Amortization - An increase in the outstanding balance of a mortgage that occurs when the monthly payment is not large enough to cover the interest due. The amount of the shortfall is added to the remaining balance to create "negative" amortization.

Net Cash Flow - The income that remains for an investment property after the monthly operating income is reduced by the monthly housing expense, which includes principal, interest, taxes, and insurance (PITI) for the mortgage, homeowners' association dues, leasehold payments, and subordinate financing payments.

No Closing Cost Loan - A loan in which the fees the borrower(s) are not required to pay cash out-of-pocket at closing for the normal closing costs. The lender typically includes the closing costs in the principal balance or charges a higher interest rate than for a loan with closing costs to cover the advance of closing costs.

Net Worth - The value of all of a person's assets, including cash, minus all liabilities.

Non-Conforming Loan - See jumbo loan.

Non-Liquid Asset - An asset that cannot easily be converted into cash.

"No Out Of Pocket Cost" Loan - A loan in which the fees the borrower(s) are not required to pay cash out-of-pocket at closing for the normal closing costs. The lender typically includes the closing costs in the principal balance or charges a higher interest rate than for a loan with closing costs to cover the advance of closing costs.

Notary - An official authorized by law to attest and certify certain documents by his or her hand and official seal.

Note - A legal document that obligates a borrower to repay a mortgage loan at a stated interest rate during a specified period of time.

Note Rate - The interest rate stated on a mortgage note.

Notice Of Default - A formal written notice to a borrower that a default has occurred and that legal action may be taken.

O

Original Principal Balance - The total amount of principal owed on a mortgage before any payments are made.

Origination Fee - A fee paid to a lender for processing a loan application, making a home loan, and recording a mortgage against the borrower's real property as security for repayment of the loan. The origination fee is stated in the form of points. One point is 1% of the mortgage amount (e.g., 1,000 on a \$100,000 loan).

Owner Financing - A property purchase transaction in which the property seller provides all or part of the financing and takes back a security instrument.

P

Partial Payment - A payment that is not sufficient to cover the scheduled monthly principal and interest payment on a mortgage loan.

Payment (P&I) - Your monthly mortgage payment, including principal and interest, but excluding Tax and insurance payments.

Payment Change Date - The date when a new monthly payment amount takes effect on an adjustable rate mortgage (ARM). Generally, the payment change date occurs in the month immediately after the adjustment date and the borrower is notified 30 days prior as to the new rate.

Payoff - To pay the outstanding balance of a loan in full.

Periodic Payment Cap - A provision of an adjustable-rate mortgage (ARM) that limits how much the interest rate or loan payments may increase or decrease. In upward rate markets, it protects the borrower from large increases in the interest rate or monthly payment at each adjustment period. See cap.

Periodic Rate Cap - A provision of an adjustable-rate mortgage (ARM) that limits how much the interest rate or loan payments may increase or decrease. In upward rate markets, it protects the borrower from large increases in the interest rate or monthly payment at each adjustment period. See cap.

Personal Property - Any property that is not real property or is not permanently fixed to land. Cash, furniture, and cars are all examples of personal property.

Piggyback - A combination of two loans. Example: A loan is made for 90% of the home price. 80% of the purchase price is supplied by a 1st mortgage and 10% by a 2nd mortgage. The 2nd mortgage is piggybacked on the 1st.

PITI - An abbreviation for the parts of a typical monthly mortgage payment. PITI stands for principal-Interest-Taxes-Insurance. See principal, interest, taxes, and insurance.

PITI Reserves - A cash amount that a borrower must have on hand after making a down payment and paying all closing costs for the purchase of a home. The principal, interest, taxes, and insurance (PITI) reserves must equal the amount that the borrower would have to pay for PITI for a predefined number of months.

Planned Unit Development - See PUD.

PMI - Stands for Private Mortgage Insurance. PMI is an insurance policy the borrower buys to protect the lender from non-payment of the loan. PMI policies are usually required if you make a down payment that is below 20% of the sales price of the home.

Points (Loan Discount Points) - Points are prepaid interest on your mortgage. A one-time fee charged by the lender at the time of closing for originating a loan. Each point is 1% of the loan amount - that is, 2 points on a \$100,000 mortgage would be \$2,000.

Power Of Attorney - A legal document authorizing one person to act on another's behalf. A power of attorney can grant complete authority or can be limited to certain acts and/or certain periods of time.

Pre-Approval - A lender's conditional agreement to lend a specific amount on specific terms to a homebuyer. (subject to satisfactory appraisal and no change in financial condition). You can shop with assurance, because you'll know up-front how large a loan you could qualify for.

Preforeclosure Sale - A procedure in which the investor allows a mortgagor to avoid foreclosure by selling the property, typically for less than the amount that is owed to the lender.

Pre-Paid Items (Prepays) - Items required by lender to be paid at closing prior to the period they cover such as prorated property taxes, homeowners insurance and pre-paid interest.

Pre-Paid Interest - Mortgage interest that is paid in advance of when it is due.

Prepayment - Any amount paid to reduce the principal balance of a loan before the due date. Payment in full on a mortgage that may result from a sale of the property, the owner's decision to pay off the loan in full, or a foreclosure. In each case, prepayment means payment occurs before the loan has been fully amortized.

Prepayment Penalty - A fee that may be charged to a borrower who pays off a loan before it is due. Generally, a prepayment penalty is added to a loan in exchange for a discounted rate.

Pre-Qualification - A preliminary analysis of a borrower's ability to afford the purchase of a home. An affordability analysis takes into consideration factors such as income, liabilities, and available funds, along with the type of home loan, the likely taxes and insurance for the home, and the estimated closing costs.

Primary Residence - The place someone lives most of the time.

Prime Rate - The interest rate that banks charge on short-term loans to its most creditworthy customers. Changes in the prime rate influence changes in other rates, including mortgage interest rates.

Principal - The amount borrowed or remaining unpaid. The part of the monthly payment that reduces the remaining balance of a mortgage.

Principal Balance - The outstanding balance on a mortgage. The principal balance does not include interest or any other charges. See remaining balance.

Principal, Interest, Taxes, and Insurance (PITI) - Four potential components of a monthly mortgage payment. Principal refers to the part of the monthly payment that reduces the remaining balance of the mortgage. Interest is the fee charged for borrowing money. Taxes and insurance refer to the amounts that may be paid into an escrow account each month for property taxes and mortgage and hazard insurance.

Principal Payment - Portion of your monthly payment that reduces the remaining balance of a home loan.

Private Mortgage Insurance (PMI) - Mortgage insurance that is provided by a private mortgage insurance company to protect lenders against loss if a borrower defaults. Most lenders generally require PMI for a loan with a loan-to-value (LTV) percentage in excess of 80 %.

Processing - The preparation and documentation of a mortgage loan application for underwriting.

Promissory Note - A written promise to repay a specified amount over a specified period of time.

Property Value - LTV or Loan to Value Ratio refers to the relationship between the unpaid principal balance of the mortgage and the property's appraised value (or sales price if it is lower).

Public Auction - A meeting in an announced public location to sell property to repay a mortgage that is in default.

PUD (Planned Unit Development) - A project or subdivision that includes common property that is owned and maintained by a homeowners' association for the benefit and use of the individual PUD unit owners.

Purchase Agreement - A written contract signed by the buyer and seller stating the terms and conditions under which a property will be sold.

Purchase Money Transaction - A loan used in part as payment for a purchase. A loan that is used to buy a home is called a purchase money mortgage.

Purchase Price - The total amount paid for a home.

Q

Qualifying Ratios - Calculations that are used in determining whether a borrower can qualify for a mortgage. They consist of two separate calculations: a housing expense as a percent of income ratio and total debt obligations as a percent of income ratio.

Quit Claim Deed - A deed that transfers, without warranty of ownership, whatever interest or title a grantor may have at the time the conveyance is made.

R

Rate - This is the annual interest rate applied to the outstanding balance of the loans.

Rate Reduction Option - A fixed-rate mortgage that includes a provision that gives the borrower an option to reduce the interest rate (without refinancing) at a later date. It is similar to a prearranged refinancing agreement, except that it does not require re-qualifying.

Rate Lock - A commitment issued by a lender to a borrower guaranteeing a specified interest rate for a specified period of time. See lock-in.

Real Estate Agent - A person who is normally licensed by the state and who, for a commission or a fee, assists in negotiating a real estate transaction.

Real Estate Settlement Procedures Act (RESPA) - A consumer protection law that, among other things, requires advance disclosure of settlement costs to home buyers and sellers, prohibits certain types of referral and other fees, sets rules for escrow accounts, and requires notice to borrowers when servicing of a home loan is transferred.

Real Property - Land and appurtenances, including anything of a permanent nature such as structures, trees, minerals, and the interest, benefits, and inherent rights thereof.

REALTOR® - A real estate broker or an associate who holds active membership in a local real estate board that is affiliated with the NATIONAL ASSOCIATION OF REALTORS®.

Recording - Filing a document in the public records, thereby giving constructive notice to the world of the existence of the document and its contents.

Reduced Documentation - A method used to determine income when qualifying a borrower(s) for a loan. Borrower(s) provide their income, however no verification documentation is typically required.

Rescission - The act of cancellation or annulment of a transaction or contract by the operation of a law. Borrowers usually have the option to cancel certain credit transactions, including a refinance or home equity transaction, within three business days after consummation (when the consumer becomes contractually obligated by, for example, signing the loan documents).

Recorder - The public official who keeps records of transactions that affect real property in the area. Sometimes known as a "Registrar of Deeds" or "County Clerk."

Recording - The noting in a book of public record of the terms of a legal document affecting title to real property, such as a deed, a mortgage note, a satisfaction of mortgage, or an extension of mortgage.

Refinance Transaction - The process of paying off one loan with the proceeds from a new loan, typically using the same property as security for the new loan.

Rehabilitation Mortgage - A mortgage created to cover the costs of repairing, improving, and sometimes acquiring an existing property.

Remaining Balance - The amount of principal that has not yet been repaid. See principal balance.

Remaining Term - The original amortization term minus the number of payments that have been applied.

Rent With Option To Buy - See lease-purchase mortgage loan.

Repayment Plan - An arrangement made to repay delinquent installments or advances. Lenders' formal repayment plans are often called "relief provisions."

Revolving Liability - A credit arrangement, such as a credit card or HELOC, that allows a customer to borrow against a predetermined line of credit when purchasing goods and services. The borrower makes payments on the amount that is actually borrowed plus any interest due.

Request For Notice of Default - A recorded document that obligates the holder of the first mortgage lien to notify subordinate lien holders in the event of default by the borrower.

Right Of First Refusal - A provision in an agreement that requires the owner of a property to give another party the first opportunity to purchase or lease the property before he or she offers it for sale or lease to others.

Right Of Ingress or Egress - The right to enter or leave designated premises.

Right Of Survivorship - In joint tenancy, the right of survivors to acquire the interest of a deceased joint tenant.

Rural Housing Service (RHS) - An agency within the Department of Agriculture. This agency provides financing to farmers and other qualified borrowers buying property in rural areas who are unable to obtain loans elsewhere. Funds are borrowed from the U.S. Treasury.

S

Sale-Lease Back - A technique in which a seller deeds property to a buyer for a consideration, and the buyer simultaneously leases the property back to the seller.

Second Home - A property occupied part-time by a person in addition to his or her primary residence.

Second Mortgage - A mortgage that has a lien position subordinate to the first mortgage.

Secondary Mortgage Market - An informal market where lenders and investors buy and sell existing mortgages. Government-sponsored entities and private investors buy mortgages from lenders who use the proceeds to make additional loans.

Secured Loan - A loan that is backed by collateral. If the borrower defaults, the lender can sell the collateral to satisfy the debt.

Security - The property that will be pledged as collateral for a loan. If the borrower defaults, the lender can sell the collateral to satisfy the debt.

Security Interest - An interest a lender takes in the borrower's property to assure repayment of a debt. If the borrower defaults, the lender can sell the collateral to satisfy the debt.

Seller Take-Back - An agreement in which the owner of a property provides financing, often in combination with an assumable mortgage. See owner financing.

Servicer - An organization that collects principal and interest payments from borrowers and manages borrowers' tax and insurance escrow accounts. A mortgage banker is often paid a fee to service mortgages that have been purchased by an investor in the secondary mortgage market.

Servicing - The collection of principal and interest payments from borrowers and management of borrowers' tax and insurance escrow accounts.

Settlement - See closing.

Settlement Sheet - See HUD-1 settlement statement.

Single Family Residence - A residential structure designed to include one dwelling.

Special Deposit Account - An account that is established for rehabilitation mortgages to hold the funds needed for the rehabilitation work so they can be disbursed from time to time as particular portions of the work are completed.

Stand Alone - A Home Equity loan originated without obtaining a Countrywide first mortgage at the same time.

Start Date - The date you want to use as the start date for the amortization, usually the date you closed on your loan or today's date.

Start Month - The date you will begin adding an extra dollar amount to your regular monthly payments. Enter the payment number from 1 to 360 (e.g., if you will start paying extra principal at the start of year 5 of a 30 year loan, enter "49").

Start Rate - See initial interest rate.

Subdivision - A housing development that is created by dividing a tract of land into individual lots for sale or lease.

Sub-Escrow - Are fees charged by the escrow company for allowing the borrower to be able to sign all the loan documents in the Escrow office instead of having to go to the lenders office.

Subordinate Financing - Any mortgage or other lien that has a priority that is lower than that of the first mortgage. The subordinate loan has a claim to payment in a foreclosure only after the first mortgage is paid.

Subprime - Subprime Lending is also called B&C lending. It refers to a category of loan programs that offer more lenient underwriting provisions and expanded credit guidelines. These provisions allow more flexibility in approving loans for borrowers who have less-than-perfect credit. Subprime loans are available at various interest rates and terms. They also offer capabilities for debt consolidation allowing borrowers to get a mortgage with enough extra cash to consolidate loans.

Subsidized Second Mortgage - An alternative financing option known as the Community Seconds mortgage for low- and moderate-income households. An investor purchases a first mortgage that has a subsidized second mortgage behind it. The second mortgage may be issued by a state, county, or local housing agency, foundation, or nonprofit corporation. Payment on the second mortgage is often deferred and carries a very low interest rate (or no interest rate). Part or all of the second mortgage debt may be forgiven depending on how long the buyer remains in the home.

Survey - A drawing or map showing the precise legal boundaries of a property, the location of improvements, easements, rights of way, encroachments, and other physical features.

Sweat Equity - Contribution to the construction or rehabilitation of a property in the form of labor or services performed personally by the owner.

T

Tax Bracket - Please select the tax bracket you fall under. If you are unsure what tax bracket you are in, you may want to speak with an accountant find out.

Tax Savings - This is the amount of money you save in income taxes. You save this money because in most cases the interest you pay on your home loan is tax deductible!

Tax Service - A fee collected to set up a third-party to monitor the borrower's property tax payments to ensure that the payments are made on time, and to prevent tax liens from occurring.

Tenancy By The Entirety - A type of joint tenancy of property that provides right of survivorship and is available only to a husband and wife. One spouse dies the property goes to the other spouse. Contrast with tenancy in common and joint tenancy.

Tenancy In Common - A type of joint tenancy in a property without right of survivorship. Contrast with tenancy by the entirety and with joint tenancy.

Term - The term of a home loan is the number of years the home loan is amortized for. Home loans are generally amortized over 15, 20 or 30 years.

Termite Report - A report that results from an inspection by a professional to determine if the property has termites.

Third Party Fees - Fees collected by lender for services provided by other companies, such as an appraiser.

Third Party Origination - A process by which a lender uses another party to completely or partially originate, process, underwrite, close, fund, or package the home loan. See mortgage broker.

Title - A legal document evidencing a person's right to or ownership of a property.

Title Company - A company that specializes in examining and insuring titles to real estate.

Title Insurance - Insurance that protects the lender (lender's policy) or the buyer (owner's policy) against loss arising from disputes over ownership of a property.

Title Insurance Endorsements - This is an endorsement of insurance against losses that may result from claims of previously unknown ownership in insured property.

Title Search - A check of the title records to ensure that the seller is the legal owner of the property and that there are no liens or other claims outstanding.

Total Expense Ratio - Total obligations as a percentage of gross monthly income. The total expense ratio includes monthly housing expenses plus other monthly debts. Used to help qualify a potential borrower for a home loan.

Total Monthly Payment - See Monthly PITI payment.

Transaction Fee - A fee charged each time the borrower draws on the credit line.

Transfer of Ownership - Any means by which the ownership of a property changes hands. Lenders consider all of the following situations to be a transfer of ownership: the purchase of a property "subject to" the mortgage, the assumption of the mortgage debt by the property purchaser, and any exchange of possession of the property under a land sales contract or any other land trust device.

Transfer Tax - State or local tax payable when title to a property passes from one owner to another.

Treasury Index - An index that is used to determine interest rate changes for certain adjustable-rate mortgage (ARM) plans. It is based on the results of auctions that the U.S. Treasury holds for its Treasury bills and securities or is derived from the U.S. Treasury's daily yield curve, which is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. See adjustable-rate mortgage (ARM).

Truth-in-Lending - A federal law that requires lenders to fully disclose, in writing, the terms and conditions of credit, such as a mortgage, including the annual percentage rate (APR) and other charges.

Two To Four-Family Property - A property that consists of a structure that provides living space (dwelling units) for two to four families, although ownership of the structure is evidenced by a single deed. See multi-unit housing.

Trustee - A fiduciary who holds or controls property for the benefit of another.

U

Underwriting - The analysis of risk, the determination of the appropriate loan amount, and the setting of loan terms and conditions, based on the borrower's creditworthiness and the value of the real property that will secure the loan.

Unsecured Loan - A loan that is not backed by collateral.

V

VA Mortgage - A mortgage that is guaranteed by the Department of Veterans Affairs (VA). Also known as a government mortgage.

Variable Rate - An interest rate that changes periodically in relation to an index. Payments may increase or decrease per the terms of the loan agreement or note.

Vested - Having the right to use a portion of a fund such as an individual retirement fund. For example, individuals who are 100 percent vested can withdraw all of the funds that are set aside for them in a retirement fund. However, taxes may be due on any funds that are actually withdrawn.

Veterans Affairs, Department of (VA) - An agency of the federal government that guarantees residential mortgages made to eligible veterans of the military services. The guarantee protects the lender against loss and thus encourages lenders to make mortgages to veterans.

W

Warehouse - A closing-cost fee representing the lender's cost of holding a borrower's loan temporarily prior to being sold on the secondary mortgage market.

Y

Year Acquired - The date you acquired your existing mortgage, used to determine your remaining balance.

Year-End Statement - A report sent to the borrower each year. The report shows how much was paid in taxes and interest during the year, as well as the remaining mortgage loan balance at the end of the year.