

Mortgage and Real Estate Glossary

Abstract of Title – A written history of the title transactions or conditions bearing on the title to a designated parcel of land. It covers the period from the original source of title to the present and summarizes all subsequent instruments of public record by setting forth their material parts.

Acceleration Clause – A common provision of a mortgage or note providing the holder with the right to demand that the entire outstanding balance be immediately due and payable in the event of default.

Acceleration Date – The date in which the unpaid principal balance and any unpaid interest becomes all due and payable under the terms of the Note.

Accrual Rate – The stated annual rate at which interest is calculated. On an adjustable rate mortgage (ARM), the accrual rate is based on a combination of an independent market index, which fluctuates, plus a margin, which is fixed, and is established by the lender. The accrual rate is also called the “note rate”, the “coupon rate” or the “contract rate”.

Accrued Interest – The interest that has accumulated over the time elapsed since the borrower’s last payment. (See Interest.)

Active Listing –

Active with Contingencies – The property listed is still available for showings and back up offers subject to the instructions on the multiple listing plano. Properties referenced in the AWC category can receive backup offers and could potentially fall out of escrow during the inspection period when the Seller and Buyer due their due diligence. There could be longer periods for contingencies to be met such as contingent on the Buyer selling their existing property and/or obtaining financing. In longer contingency periods the Seller may provide written instructions to place the property in the AWC-I to which instructs the listing agent to continue to market the property for back up offers.

Different types of AWC statuses are as follows:

1) AWC-C (Active listing with contingencies) – The property listed has received an offer but the purchase is contingent on the sale of the Buyer’s existing property.

2) AWC-I – (Active listing with contingencies with Seller Written Instructions)
The listing is still Active and available for viewings and Back up offers subject to the mls plano details. The property has an offer currently although it is contingent on the subject offer meeting certain criteria. The Seller has instructed Listing Agent in writing to actively market the property for backup offers.

3) AWC-O (Active with Contingencies with an Existing Option to Purchase).
This status shows that there is an existing Option to purchase this property. .

Addendum – Something added, for example, a list or other material added to a document, letter, contractual agreement, etc.

Add-on Interest – Interest which is calculated on the original principal for the full term of the loan and then added to the original amount borrowed. This sum is then divided into a number of equal payments. (See Interest.)

Adjustable Rate Mortgage – A general term for any mortgage in which the interest rate and generally, the payments change over the life of the loan. The interest rate is adjusted to match the rise or fall of a preselected interest rate index and the borrower's regular payments will increase or decrease accordingly. Different types of adjustable rate mortgages (ARMS) have different frequencies for these adjustments. Some ARMs have limits on payment and interest rate changes and the maximum interest rate over the life of the loan. To the borrower's advantage, the initial rate of an ARM is usually low, permitting the purchase of real estate that otherwise would be unaffordable with a fixed-rate mortgage. But there is a risk of higher payments later on. (See Index, Initial Interest Rate.)

Adjustment Interval – When an adjustable rate mortgage (ARM) is negotiated, provision is made for the intervals of interest rate adjustment. This allows the lender to adjust the interest rate charged and the payments required from the borrower at pre-scheduled times.

Adjustment – The amount added to or subtracted from the sales price of comparable properties to obtain adjusted sales price that more accurately reflects the subject property's value.

Affidavit – A sworn statement in writing, usually made before a notary.

Affidavit of Fixture –

Agency – Any relationship in which one party (agent/broker) acts in behalf of or represents another (principal/owner) under the authority of the latter. Agency involving real property should be in writing, such as listings, trusts, powers of attorney, etc.

Agency Relationship – See Agency.

Agent – One who is authorized to act or represent another (principal), usually in business matters. Authority may be express or implied. (See Real estate agent and Realtor®.)

Agreement for Sale –

ALTA – See American Land Title Association.

Alternative Mortgage Instruments – Mortgage Instruments that may help qualify borrowers who otherwise may not be able to qualify for a standard 30 year, fixed rate mortgage loan.

Amenity – An aspect of a property that enhances its value. For example, off-street reserved parking within a condominium community, the nearness of good public transportation, tennis courts or a swimming pool.

American Land Title Association – A national association of title insurance companies, title abstractors and attorneys who specialize in real estate law. The American Land Title Association (ALTA) establishes standard procedures and uniform title abstract and insurance policy forms.

Amortization – The systematic and continuous repayment of an obligation through periodic installments until the debt has been paid off in full.

Amortization Period – That period of time over which a calculated mortgage payment will fully repay a set loan amount at a set interest rate.

Annuity – An amount paid at regular intervals for a set period of time. Mortgage payments are a form of an annuity paid to the lender.

Applicant – One who applies for a real estate loan (the prospective borrower/mortgagor).

Application – A form used by a borrower to submit pertinent financial and property information concerning a borrower/mortgagor and the proposed security.

Appraisal – A report made by a qualified appraiser setting forth an opinion or estimate of value. The term also refers to the process by which this estimate is obtained.

Appraised Value – An estimation of property value made by a qualified expert.

Appraiser – An expert qualified by education, training and experience who sets forth an opinion or estimate of value of a property, based on available facts and an inspection of that property.

Appreciation – An increase in the value of a property. Appreciation may be the result of an increased demand for a property, any improvements or additions made, improvements to the neighborhood, etc.

Appurtenance – Anything that is or becomes part of the property because it is attached or closely related to the land. It may be a structure such as a well, barn or garage; or it may be a right or interest enjoyed by the previous owner, such as an easement.

APR – See Annual Percentage Rate.

Arbitration –

ARM – See Adjustable Rate Mortgage.

Arrearages – The total, accumulated, delinquent principal, interest, taxes and insurance (PITI) amount that a borrower owes a lender.

Assessed Valuation - The value a taxing authority places upon real or personal property for the purpose of collecting payment of taxes on the property.

Assessment – Tax on real property either by an annual property tax based on current fair market value or via special assessments for sewers, public improvements, etc.

Assessor – A public official who evaluates property for the purpose of taxation.

Assignment of Rents – A legal document, sometimes included in the mortgage that assigns all rents and income from a property to the mortgagee. If properly invoked after default, the mortgagee has a right to assume management of the property and collection of rents from the subject property.

Assumption – A means by which the title/mortgage may be transferred to another party with or without release of liability on the note.

AWC – See Active with Contingencies.

Aquifer - An aquifer is an underground layer of water-bearing permeable rock or unconsolidated materials (gravel, sand, silt, or clay) from which groundwater can be usefully extracted using a water well.

Balloon Mortgage – A mortgage with periodic installments of principal and interest that, at the end of such a period, do not fully amortize the loan. The balance of the mortgage due is usually paid in lump sum at a specified date, usually at the end of the term of such periodic installments.

Balloon Payment – The unpaid, principal amount of a mortgage loan that is due on a specified date, and paid in a lump sum at the end of the term.

Bankruptcy – Legal relief from the payment of all debts after the surrender of all assets to a court-appointed trustee. Assets are distributed to creditors as full satisfaction of debts, with certain priorities and exemptions. A person, firm or corporation may declare bankruptcy under one of several chapters of the U.S. Bankruptcy Code: Chapter 7 covers liquidation of the debtor's assets; chapter 11 covers reorganization of bankrupt businesses; Chapter 13 covers payments of debts by individuals through a bankruptcy plan.

Basis Point – 1/100 of 1% (0.01%)

Beneficiary – The entity or individual designated to receive the income from a trust, insurance policy, estate, or trust deed. In a deed of trust, the lender is referred to as the beneficiary.

Bill of Sale –

Biweekly mortgage –

Blanket Insurance –

Bond – See Note.

Bridge Loan –

Broker (Real Estate) - One who receives a commission or fee for bringing buyers and sellers together and assisting in the negotiation of real estate sales contracts between them. In most states, a license to do so is required.

Builder – One who assembles materials in order to fabricate, erect or construct a building; or one who oversees building operations.

Buydown – A sum of money paid to the lender at closing to reduce the borrower's out of pocket monthly payment. A buydown can be temporary or permanent.

Buyer Advisory – [AAR \(Arizona Association of Realtors®\) Advisory to Buyers](#)

Call option –

Cap – A limit placed on payments, interest rates and/or the balance of a loan. Caps can limit increases by either a dollar amount or a percentage.

Carry back – See Seller Carry back.

Cash Take-out Refinance – See Equity Refinance.

Certificate of Deposit –

Certificate of Deposit index –

Certificate of Eligibility –

Certificate of Reasonable Value (CRV) -

Certificate of Title – A document which assures the buyer that the person selling the property is indeed the legal owner of the property and that no one else has any legal claim to the property. This certificate does not protect against loss if a hidden claim emerges after purchase of a property – only a title insurance policy can do that.

Chain of Title –

Chattel – An article of personal property that is not revealed in the mortgage contract and that does not add to the property's value.

Clear Title –

Closing (Loan Closing) – The process that brings a loan into legal existence, including the signing of all loan documents, their delivery to the appropriate parties, and the disbursing of at least some of the loan funds.

Closing Costs – Costs, in addition to the price of the property, itself, that are due at closing. These costs normally include, but are not limited to, origination fees, discount points (see Points), attorney's fees, costs for title insurance, surveys, recording documents, and prepayment of real estate taxes and insurance premiums held by the lender. Sometimes the seller will help the borrower pay some of these costs.

Closing Statement – A statement of the funds received and spent at the closing of a real estate sale. The closing statement is furnished by the real estate closing agent to the buyer and seller separately. The standardized federal form, HUD-1 is used in most residential transactions.

CMO – See Collateral Mortgage obligation.

Co-borrower – A party who signs the mortgage note along with the borrower and who shares the title to, and the obligation to pay for, the property with the borrower. Also called “co-mortgagor.”

Collateral – Property pledged as security for a debt. For example, real estate securing a mortgage. Collateral can be repossessed if the loan is not repaid.

Collateral Mortgage Obligation – A multi – class, mortgage backed security collateralized by loans that are typically residential or multi-family loans.

Collection –

Commission – An agent's compensation (fee) for negotiating a real estate or loan transaction, often expressed as a percentage of the sale price or mortgage amount.

Commitment – An agreement, often in writing, between a lender and a borrower to loan money at a future date subject to compliance with stated conditions. (See Conditional, Firm, Standby and Take-Out Commitment.)

Commitment fee – A sum of money paid by the seller of mortgages to the investor in return for the investor's commitment to purchase a package of loans at some future date. This can be a non-refundable fee or it can be in the form of a refundable fee to be repaid to the seller upon fulfillment of the commitment.

Common Area Assessments –

Common Areas –

Common Law –

Co-mortgagor – See Co-borrower.

Community property –

Comparable – A property that is similar in physical composition, location and value to a property being appraised.

Compliance Inspection Report – A report prepared by a compliance inspector for a mortgage lender. The report states if construction or repair work on a property meets the terms and conditions of a previous inspection.

Condemnation – The process by which private property is taken for public use without consent of the owner, but upon the award or payment of compensation.

Conditional commitment – Indicates the satisfactory completion of technical processing for Department of Housing and Urban Development (HUD) or Federal Housing Administration (FHA) mortgage insurance. The Commitment involves the estimated cost of the project, the "as is" value of the site, the detailed estimate of the operating expenses and taxes, the supportable costs, the financial and credit capacity of the sponsors, financial and credit capacity of the sponsors, financial requirements and mortgage amounts.

Conditional Sales Contract – A contract for the sale of a property in which transfer of title to the buyer is contingent on fulfillment of certain conditions/contingencies.

Condominium – A form of ownership of real property. The purchaser receives title to a particular unit and a proportional interest in certain common areas. A condominium generally defines each unit as a separately owned space limited to the interior surfaces of the perimeter walls, floors and ceilings. Title to the common areas is in terms of percentages and refers to the entire project less the separately owned units.

Condominium Conversion –

Condominium Hotel –

Conduit – A mortgage market intermediary that consistently buys mortgage loans from retail originators on a flow or bulk basis. A conduit will repackage these loans, typically into security form, and then sell the security to raise cash for additional purchases.

Constant Renewal – An insurance renewal where the premium amount is based on the original amount of the loan – not on the outstanding balance.

Construction Loan – A short-term interim loan for financing the cost of construction of real property. Payments are made to the builder at periodic intervals as the construction progresses.

Construction Loan Draw – The periodic/partial disbursement of the construction loan, based on the schedule of payments in the loan agreement.

Consummation – The completion of a thing. To finish by completing what was intended. Consummation of a loan means that the loan has been closed or made.

Contingency –

Contract –

Contractor – A person or company who agrees to furnish materials and/or labor to do work for an agree-upon price.

Conventional Loan – A mortgage loan not insured by the Federal Housing Administration (FHA) or guaranteed by the Veterans Administration (VA) or Farmers Home Administration (FmHA). No governmental agency approval is required of the lender, borrower or property. It is called “conventional” because it conforms to accepted standards, modified within legal bounds by mutual consent of the borrower and the lender. Also called “conventional residential mortgage”.

Convey – The act of transferring title to real property from one party to another.

Conveyance – In real property law, a transfer of legal title to land.

Cooperative (Co-op) – A form of multiple ownership of real estate in which a corporation or business trust equity holds title to a property and grants the occupancy right to particular apartments or units to shareholders by means of proprietary leases or similar arrangements.

Corporate Bond – An interest bearing certificate of indebtedness.

Correspondent – See Mortgage Loan Correspondent.

Co-signer – A party who signs the mortgage note along with the borrower, but who does not own or have any interest in the title to the property.

Cost Approach – In an appraisal, a method of establishing the market value of a property by considering how much the subject property would cost if it were to be built today.

Coupon Rate – The annual interest rate shown on the face of a mortgage note.

Covenant – Generally, any written agreement. Most commonly in real estate, items set forth in a deed by the grantor or implied by the law.

Creditor – A person to whom a debt is owed by another person who is the “debtor”.

Credit Report – A document completed by a credit reporting agency providing information about the buyer’s credit cards, previous mortgage history, bank loans and public records dealing with financing matters.

Cushion – A small excess amount of funds which many lenders may require be kept in an escrow account.

Debt – A sum of money due by certain and express agreement.

Deed – The formal written document that transfers the rights of ownership and possession (that is, the title) from the seller to the buyer.

Deed in Lieu of Foreclosure – A transfer of title to real property, from a delinquent mortgagor to the mortgagee, given voluntarily to satisfy the balance due on a defaulted loan and to avoid foreclosure proceedings. Also called “voluntary conveyance.”

Deed of Trust – A legal document which conveys title to real estate to a disinterested third party (trustee) who holds the title until the owner of the property has repaid the debt. In states where it is used, a deed of trust accomplishes essentially the same purpose as a regular mortgage. Also called “trust deed” or “trust indenture”. In some states this is used in place of a mortgage. Three people are involved in a deed of trust: the borrower, the lender and the trustee. The borrower transfers the legal title for the property to the trustee who holds the property as a security for the debt. If the borrower pays the mortgage as agreed, the trustee gives the legal title to the owners. If the borrower does not pay the mortgage as agreed, the trustee can sell the property. (See Mortgage.)

Default – 1) A breach or non-performance of the terms of a note or the covenants of a mortgage or deed of trust. 2) The failure to do what is required by law or the terms of a contract.

Deferred Interest – With adjustable rate mortgages (ARMs), if monthly payments do not cover the interest cost, the interest left unpaid is deferred to later years by adding it to the unpaid principal balance. In subsequent months, charged interest is added to this unpaid interest. Many lenders limit deferred interest. For example, by not allowing it to go above 125% of the original mortgage loan balance. If the unpaid balance exceeds the limit

placed by the lender, the borrower can no longer defer interest and must begin making payments large enough to fully pay what is due over the remaining term. In this case, the payments can increase suddenly and significantly. Deferred interest can occur when choosing a graduated payment option (see Graduated Payments), where the loan starts out below current rates but an agreement to pay the difference (the deferred interest) in later years is made. Deferred interest can also occur when a monthly payment cap. (See Cap.)

Deficiency Judgment – In the event that the sale of a foreclosed property does not provide an amount of money sufficient to cover the balance due on the loan, a judgment may be sought against the borrower, who is personally liable for the difference. If the deficiency is granted by the court, this judgment can be collected from the borrower from other property, other assets owned or by garnishment. (Check with an attorney or State Laws on current deficiency judgment laws for your State).

Delinquent – Late or non-payment of a full payment due. Payments are considered late after the first day past the due date regardless of a grace period. Some institutions do not report late payments to credit bureaus until after 30 days late. Partial payments are usually not applied until full payment has been received. (See Foreclosure or Repossession)

Demand Letter – A notice issued to a borrower, warning of the imminent danger of foreclosure.

De Minimus PUD – A planned unit development (PUD) in which the common areas are of minimal value and have little influence on the enjoyment or the value of the property.

Department of Housing and Urban Development – A department within the government that is responsible for the implementation and administration of government housing and urban development programs.

Deposit – With reference to the sale of real estate, a sum of money given to either bind a sale of real estate or assure payment or an advance of funds in the processing of a loan. Also known as earnest money.

Depreciation – A lowering of value based on physical deterioration or functional or economic obsolescence.

Depth of Coverage – The percentage of the loan balance that is protected by mortgage guaranty insurance.

Developer – A person or entity that prepares undeveloped for building sites and sometimes builds on the sites.

Development Loan – A short-term loan, advanced before a construction loan, obtained by developers from lenders to acquire land and install basic utilities such as roads, sewers, water supply systems, etc.

Disbursements – Payments made during the course of an escrow or at a closing.

Discount – The amount of money, usually stated as a percentage, deducted from the face value of a note. The borrower receives the net amount after the discount has been deducted. The discount is computed to give the effective rates of interest agreed upon.

Disintermediation – The flow of funds out of savings institutions into short-term investments in which the interest rates are higher. This shift normally results in a net decrease in the amount of funds available for long-term real estate financing. Also, the market condition that exists when the shift occurs.

Document Preparation fee –

Down Payment – The difference between the sale price of real estate and the amount of the mortgage loan.

Due On Sale Clause – A clause allowing the lender to demand payment of the entire loan balance upon sale or other transfer of title by the borrower to a third party.

Dwelling Unit – The living quarters occupied, or intended for occupancy, by a household.

Earnest Money – See Deposit.

Easement – A right to the enjoyment or access of land held by another. An easement is a non-ownership interest in land.

ECOA – See Equal Credit Opportunity Act.

Economic Obsolescence – The effect of external requirements or conditions that have a negative influence on the value of the property as it now stands.

Effective Gross Income (Personal) – Normal annual income of an individual, including regular or guaranteed overtime. It may be from more than one source. Salary/wages are generally the principal source, but other regular, ordinary income may qualify.

Egress – The right of a person to leave a property in property law.

Eminent Domain – A government action that takes private land for public use.

Encroachment – An improvement that intrudes or invades illegally upon another's property.

Encumbrance – A right, lien or claim attached to real property that passes with title. For example, easements, judgment liens, and mortgages that may reduce the property's market value.

Endorsement – 1) The signature on the back of a check, note or other negotiable instrument. 2) An addition made to a document, such as a title policy, in order to alter or clarify it.

Equal Credit Opportunity Act – Federal legislation that prohibits a creditor from discriminating in mortgage lending on the basis of race, color, religion, national origin, sex, marital status, age, income derived from public assistance programs, or previous exercise of Consumer Credit Protection Act rights.

Equitable Right of Redemption – During a foreclosure proceeding, a defaulted borrower's right to redeem his property by full payment of the mortgage debt, up to the date of the mortgage foreclosure sale.

Equity – The owner's interest, or the amount of cash the owner has, realized, paid in or invested in real estate.

Equity Erosion – A loss of equity due to negative amortization, a decline in property value, or a combination of both.

Equity Mortgage – A debt secured by a lien against real estate that usually is subordinate to a previous mortgage and is based on the amount of equity one has in real estate after deducting the previous mortgage.

Equity Refinance – The borrower obtains a new loan, taking cash out of the equity which has built up in the original loan, resulting in a larger loan balance than the original loan. Also called "cash take-out refinance."

Escrow Account – An account held by the lending institution to which the borrower pays monthly installments for property taxes, insurance and special assessments, and from which the lender disburses these sums as they become due.

Escrow Agreement – An agreement to allocate funds to be set aside in a special account to guarantee payments that occur after settlement.

Escrow Fee –

Escrow Payment – The portion of a borrower's monthly payment that is set aside by the lender in an escrow account to pay the taxes, hazard insurance, mortgage insurance, ground rents and other special items as they come due.

Escrow Shortage - The Mortgage/Lender will re-evaluate the impound/escrow balance on an annual basis for shortages or overages in comparison with disbursement increases

or reductions. Non-payment of an annual evaluation escrow shortage will initiate the lender to increase your monthly payment to cover the shortage.

Estate - The interest or nature of the interest which one has in property, such as a life estate, the estate of a deceased, real estate, etc. 2) A large house with substantial grounds surrounding it, giving the connotation of belonging to a wealthy person.

Eviction – A court action to remove a person from possession of real property. Most commonly, the removal of a tenant.

Exclusive Listing –

Executor –

Fair Credit Reporting Act –

Fannie Mae (FNMA) – See Federal National Mortgage Association.

Farmers Home Administration – A federal agency that makes and insures loans for rural housing and farms.

FDIC – See Federal Deposit Insurance Corporation.

Federal Deposit Insurance Corporation – A federal agency that insures deposits in commercial banks up to \$100,000 and, along with the Federal Reserve System, regulates banks and banking procedures.

Federal Home Loan Bank Board – A regulatory and supervisory agency for federally chartered savings institutions. It oversees the operations of the Federal Savings and Loan Insurance Corporation (FSLIC) and the Federal Home Loan Mortgage Corporation (FHLMC).

Federal Home Loan Mortgage Corporation – A secondary market facility of the Federal Home Loan Bank System that is authorized to buy and sell conventional home loans and participating interests in the blocks of conventional loans.

Federal Housing Administration – A federal agency within the U.S. Department of Housing and Urban Development (HUD). Using loan insurance programs to insure mortgages for lenders, the Federal Housing Administration (FHA) stimulates the availability of housing for low-and-moderate-income families.

Federal National Mortgage Association – A privately owned corporation created by Congress to support the secondary mortgage market. It purchases and sells residential mortgages insured by the Federal Housing Administration (FHA) or guaranteed by the Veterans Administration (VA), as well as conventional home mortgages.

Federal Savings and Loan Insurance Corporation – An instrument of the federal government which insures savings account in member savings institutions. It is similar to the Federal Deposit Insurance Corporation (FDIC), which insures savings deposits in commercial banks and mutual savings banks.

Fee Simple – The greatest possible interest a person can have in real estate, including the right to dispose of the property or pass it on to heirs without limitation.

FHA - See Federal Housing Administration.

FHA Mortgage – A mortgage with federally sponsored mortgage guaranty insurance provided through the Federal Housing Administration (FHA).

FHLBB – See Federal Home Loan Bank Board.

FHLMC – See Federal Home Loan Mortgage Corporation.

FIAR – See Fully Indexed Accrual Rate.

Fiduciary – A person or legal entity that administers investments for the benefit of another.

Financing Package – The total of all financial interest in a project. It may include mortgages, partnerships, joint venture capital interests, stock ownership or any financial arrangement used to complete a project.

Firm Commitment – A lender's condition, agreement or promise to make a loan to a specific borrower on a specific property.

FIRPTA – See Foreign Investment in Real Property Tax Act.

First Mortgage – A loan on real estate that creates a paramount and prior lien against real property.

Fixed Interest Rate – A mortgage feature that structures the loan so that there will be no increases or decreases in the interest rate during the life of the loan.

Fixed Monthly Payment – A feature in a loan that prevents increases or decreases in the monthly payment amount during the life of the loan.

Fixed Rate Mortgage – The type of loan where the interest rate will not change for the entire term of the loan.

Fixture – Personal property that becomes real property upon being attached to real estate.

FmHA – See Farmers Home Administration.

FNMA – See Federal National Mortgage Association.

Flood Insurance –

Forbearance – An effort made by the lender to offer the borrower a method of, or alternatives to, making a loan current if it is in default.

Forbearance Agreement – A verbal or written agreement that the lending institution will delay exercising its right to foreclose on a loan as long as the borrower performs certain agreed-upon terms and conditions.

Foreclosure – An action to eliminate the interest of a borrower in real estate so as to give the lender good title.

Foreclosure by Action and Sale – See Judicial Foreclosure.

Foreclosure by Advertisement – See Power of Sale.

Foreign Investment in Real Property Tax Act - The disposition of a U.S. real property interest by a foreign person (the transferor) is subject to the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA) income tax withholding. FIRPTA authorized the United States to tax foreign persons on dispositions of U.S. real property interests. A U.S. real property interest includes sales of interests in parcels of real property as well as sales of shares in certain U.S. corporations that are considered U.S. real property holding corporations. Persons purchasing U.S. real property interests (transferee) from foreign persons, certain purchasers' agents, and settlement officers are required to withhold 10 percent of the amount realized (special rules for foreign corporations) Withholding is intended to ensure U.S. taxation of gains realized on disposition of such interests. The transferee/buyer is the withholding agent. If you are the transferee/buyer you must find out if the transferor is a foreign person. If the transferor is a foreign person and you fail to withhold, you may be held liable for the tax. Additional information may be obtained from: Internal Revenue Service Center P.O. Box 409101 Ogden, UT 84409. Your Escrow Office has appropriate forms, contact your Escrow Officer or Tax attorney for more information.

Forward Commitment – A commitment to purchase loans or mortgage-backed securities which calls for delivery at some future date – typically beyond 90 days.

Freddie Mac – See Federal Home Loan Mortgage Corporation.

FSLIC – See Federal Savings and Loan Insurance Corporation.

Fully Indexed Accrual Rate - The base index value of an adjustable-rate mortgage (ARM) plus the high gross margin during the life of the loan.

Functional Obsolescence – Caused by structural components of a property being outmoded or inefficient by current standards.

GAAP – See Generally Accepted Accounting Principals.

Garnishment – A legal proceeding in which a person's money or wages are taken for payment of a debt. The amount that may be taken is set by statute (usually as a percentage) and, in most states, a judgment is necessary before garnishment.

GEM – See Growing Equity Mortgage.

Generally Accepted Accounting Principals – An accounting method used by insurance companies to report their financial information.

Gift Letter – A letter of affidavit that indicates that part of a borrower's down payment is supplied by relatives or friends in the form of a gift and that the gift does not have to be repaid. Check with your Lender on current requirements for allowable source of gift funds.

Ginnie Mae – See Government National Mortgage Association.

GNMA – See Government National Mortgage Association.

Good Faith Estimate – Provides a breakdown of the estimated closing costs. Prospective borrowers should receive this at or before loan application in accordance with current regulations.

Government National Mortgage Association – A government within the Department of Housing and Urban Development (HUD) that provides assistance for the purchase of certain Federal Housing Administration (FHA) and Veterans Administration (VA) mortgages and guarantees securities backed by pools of mortgage loans.

GPM – See Graduated Payment Mortgage.

Graduated Payment Mortgage – A mortgage in which the monthly payments will generally increase for a set period of time and then reach an amount that remains constant for the rest of the amortization period. This increasing payment feature can be incorporated into fixed-rate or floating-rate loans. For example, the borrower may agree to make initial monthly payments of \$700 that will rise gradually to \$900 by the fifth year, where the payment will stay for the remainder of the loan.

Graduated Payment Period – The time frame during which a borrower's monthly payments cover only part of the actual amount needed to amortize the loan, with the payment obligation increasing annually. This time period and the specific payment

amounts may result in negative amortization if there is no pledged account to supplement the borrower's payment.

Graduated Payments - The amount a borrower pays initially covers only part of the actual amount needed to amortize the loan. Payments increase annually during the first few years of the loan and then ultimately level off. Such payments may result in negative amortization if there is no pledged account to supplement the borrower's payment.

Grantee -

Grantor -

Growing Equity Mortgage - A fixed-rate mortgage that has varying monthly payments. Principal and interest payments may rise monthly, semi-annually or yearly, depending on the payment schedule agreed upon. Any extra payments reduce the loan principal and the loan term.

Guaranteed Loan - When a government agency or other party guarantees a loan, it agrees to reimburse the lender if the borrower fails to pay back the loan as promised. A loan can be guaranteed for all or a portion of the unpaid principal. An example is a Veterans Administration (VA) loan to a veteran. (See Veterans Administration.)

Hard money loan -

Hard money lender -

Hazard Insurance - A broad form of casualty insurance coverage for real estate that includes protection against loss from fire, certain natural causes, vandalism and malicious mischief.

Highest and Best Use - The available present use or series of future uses that will produce the highest present real property value and develop a real estate parcel to its fullest economic potential.

Home Equity line of credit -

Home Inspection -

Homeowner's Association -

Homeowner's insurance -

Homeowner's warranty -

Homeowner's Package - A broad form of insurance coverage for real estate that combines hazard insurance with personal protection and other items. Also known as a Homeowner's Policy.

Homestead Exemption - A state statutory exemption that protects homestead property, usually to a set amount, against the attachment rights of creditors. Property tax exemptions for all or part of the tax are also available in some states. Statutory requirements to establish a homestead may include a formal declaration to be recorded.

HUD - See Department of Housing and Urban Development.

HUD Information Booklet - Describes the closing process and costs and the loan applicant's rights under the Real Estate Settlement Procedures Act (RESPA).

HUD-1 Settlement Statement – See Uniform Settlement Statement.

Impound Account – (See Escrow payment.) Upon closing, the lender may require a proportionate amount of funds to be placed into an impound/escrow account held by the mortgagee/lender for the annual or semi-annual disbursements to be paid towards your property taxes, homeowners/dwelling insurance and/or pmi payments. This is a non-interest bearing account. (See Escrow Shortage)..

Improvements - Any permanent structures to land such as buildings, fences and driveways, as well as landscaping, drainage, utilities, etc.

Income Approach - A method of establishing market value by using rental income as a factor for calculating value.

Index - 1) Measurement used by lenders in a market to determine changes in an accrual rate. This can be based on a published, independent measure of current interest rates, such as a Treasury Bill. An index must be readily verifiable by the borrower and beyond the control of the lender. It provides a guideline that should accurately reflect the current cost of lending money. 2) A measure of prevailing market interest rates. The index is used with the margin to determine a new interest rate at the time of adjustment. If the index increases, the interest rate increases unless an interest rate cap is reached. Often, these interest rates are the rates for U.S. Treasury securities. Treasury securities have become popular as indexes because they are easy to monitor and reflect economic conditions accurately.

Ingress – The act of entering. A property law term.

Initial Interest Rate - The beginning interest rate at the start of an adjustable-rate mortgage (ARM). It may be lower than the fully indexed rate or "going market rate" and it will remain constant until it is adjusted up or down on the adjustment date.

Institutional Lender - A financial institution that invests its own funds or funds it is managing in real estate. For example, mutual savings banks, life insurance companies, commercial banks, pension and trust funds, and savings and loan associations.

Insurable Title – Title to real property that a title insurance company will insure. The company issues a title insurance policy as evidence of its insurance.

Insured Loan - A loan insured by the Federal Housing Administration (FHA) or a private mortgage guaranty insurance company.

Interest.- 1) A charge for borrowing money. It is usually expressed on an annual rate, or as a percentage, of the money still owed. For example, the interest rate might be 10%. If a person borrowed \$10,000 and agrees to pay it in full at the end of one year, the interest will be \$1,000. 2) A right, share or title in property. 3) A general term meaning partial or total right to a property. An interest in real estate might be a right, such as an easement (see Easement), a lease or partial or full ownership.

Interest Rate - The percentage of an amount of money which is paid for its use for a specified time; usually expressed as an annual percentage.

Investor - In mortgage lending, the holder of a mortgage, or a permanent lender for whom the mortgage banker services the loan.

Inventory – The goods of a business which is sold in the every day course of business, such as houses by a builder, or merchandise and goods of a business sale; 2) A detailed list of property such as of an estate.

Joint Tenancy - Joint ownership by two or more persons giving each person equal interest and equal rights in the property, including the right of survivorship.

Joint Venture - An association between two or more parties, usually to own and/or develop real estate, formed for a specific purpose and duration. It may take a variety of legal forms.

Judgment - Final determination by a court of the rights and claims of the parties to an action.

Judicial Foreclosure - A type of foreclosure proceeding used in some states that is handled as a civil lawsuit and conducted entirely under the auspices of a court. Also called "foreclosure by action and sale."

Jumbo Loan – Check with a lender on the current guidelines and terms for Jumbo Financing. It is typically used for loans on a residential purchase wherein the Purchaser will be financing over a certain dollar amount.

Junior Lien - A loan secured by a mortgage that does not stand in a first lien position. Also called "junior (or second or third) mortgage."

Junior Lienholder - An individual or entity owning a junior lien.

Land Development - Loan See Development Loan.

Land Loan - A loan for the acquisition of land without any improvements thereon. Usually held in anticipation of zoning and until plans are drawn and construction financing can be obtained.

Landlocked – A situation with a property wherein there is no ingress or egress to access the property legally. A roadway easement or shared driveway easement would need to be created with the boundary properties which would require neighboring property(ies) owners signatures and recordation in the appropriate county.

Land Survey - An instrument that specifies precise property boundaries. It is useful in determining if boundary violations (encroachments) exist.

Late Charge - An additional charge a borrower is required to pay as a penalty for failure to pay a regular mortgage loan installment when due; a penalty for a delinquent payment.

Lease - A written agreement stating the conditions for the possession and use of real estate (and/or personal property) given by the owner (landlord) to another person (the tenant) for a specified rent and period of time.

Leasehold Estate –

Lease Option – Seller offers property and Buyer agrees to a Lease option. This is where the Buyer will lease the property for an agreed term and has a provision in the lease contract for a purchase option during or at the end of their lease.

Lease Purchase – A lease purchase is designed with two separate contracts, one for lease and one for sale which are incorporated within each other. The Lease Purchase terms are all negotiable, but typically, the Landlord/Seller will want a down payment up front depending on the market and inventory available to the Purchaser. If the Buyer has credit issues, the Buyer can work on repairing their credit during the lease period and sometimes a portion of the monthly payment can be applied towards the down payment at closing by a credit from the Seller. The negotiated sales/purchase price is negotiated prior to contract acceptance at an expected value at close of escrow. This is where it is good to have a Realtor® working in your behalf. It can be a really good deal for either the Buyer or the Seller at closing whether set up for a 1 year or 2 year lease purchase. One party could be hurt financially if the value is far from the actual value at closing. Appreciation rates can be guestimated on an average, however, only recent sales comparables or an appraised value will be able to determine the actual value normally

done within 30 days prior to closing. A Buyer may not be able to get financing if they 1) Did not get their credit cleaned up prior to closing; 2) The Buyer cannot obtain financing due to the fact the value is too low in comparison to the amount of down payment and purchase price, 3) Buyer has defaulted on the lease prior to closing and loses any down payment they had paid up front. The list goes on, make sure you are working with a Realtor® to clarify your risks and negotiate the best terms in your behalf.

Lender –

Letter of Commitment - A document that advises the borrower that the loan has been approved, spells out the terms and conditions of the loan and confirms the closing date.

Letter of Demand (Payoff Statement) - A prepared, formal statement showing the current status of the loan account, all sums due on a date certain to fully pay the loan balance, and the daily rate of interest.

Leverage - The use of borrowed money to increase one's return on a cash investment. For leverage to be profitable, the rate of return on the investment must be higher than the cost of the money borrowed (interest plus amortization). Leverage has the potential to magnify losses.

Liabilities –

Liability insurance –

Lien - A legal encumbrance or claim of one person on the property of another as security for a debt or charge.

Lienholder - Any person or organization who holds a legal claim over the specific property of another as security for debt.

Line of Credit –

Liquidity (aka Liquid assets) - The amount an individual or entity holds in cash, checking and savings accounts and other assets quickly convertible to cash without any significant loss.

Liquidation – The settling of financial affairs of a business or individual, by liquidating (turning into cash) all assets for distribution to creditors, heirs, etc.

Liquidation price – A price paid for a property sold to liquidate a debt. Usually less than market value since there is pressure to sell or a forced sale, either of which does not often bring the highest price.

Liquidation Value – See Liquidation price.

Lis Pendens – A legal notice recorded to show pending litigation relating to real property and giving notice to anyone acquiring an interest in said property subsequent to the date of the notice may be bound by the outcome of the litigation.

Listing – An agreement between an owner of real property and a real estate agent, whereby the agent agrees to market the real property in an effort to secure a buyer or tenant for a specific property at a certain price and terms in return for a fee or commission. The listing document when signed, is a written contract between the property owner and the sales agent, however the listing is contractual to the Designated Broker in which the sales agent is licensed. The Broker owns the listing contract and the employment contract resides with the Broker.

Listing Agent – A real estate agent obtaining a listing, (see which as opposed to Selling Agent. Refer to Agency Relationship, Limited Dual Agency and Buyer Representation vs. Seller Representation).

Loan - The letting out or renting of money by a lender to a borrower, to be repaid with or without interest.

Loan Balance - The amount of principal that a borrower owes.

Loan Balance Cap - Only applicable to adjustable-rate mortgages (ARMs) with deferred interest or negative amortization (see Deferred Interest). Because the loan balance may increase with ARMs, many lenders place limits on how much deferred interest may be added to the original loan balance. If, during the life of the loan, the unpaid principal owed exceeds this limit, the borrower can no longer defer interest. The monthly payment must be increased (perhaps significantly, resulting in "payment shock") to pay all monthly interest due and enough of the monthly principal to fully payoff the loan within its remaining life.

Loan Closing - A meeting between borrower and lender in which transfer of ownership is accomplished, funds and deed are exchanged, and all loan documents, including the promissory note and mortgage, are signed.

Loan Information Sheet - In secondary market transactions, a listing of loans being offered for sale by principal balance, term, loan-to-value ratio and other items .

Loan Modification - Any change in the terms of the loan, any change in the property or any change in borrower's liability for the loan.

Loan Officer –

Loan Origination –

Loan Portfolio - The total of all the loans that a financial institution or other lender holds at a given time. A list, distribution or grouping of mortgage loans.

Loan Servicing Department - The division of a mortgage lending institution that is responsible for servicing the terms and conditions of the loan agreement. The duties of a loan servicing department include the collection of payments, interest, principal, trust items such as hazard insurance and taxes, and conducting foreclosures. Servicing duties also consist of operational procedures covering accounting, bookkeeping, insurance, tax records, loan payment follow-up and loan analysis. A fee is charged to the borrower for these services.

Loan to Value - Mathematical computation that compares the loan amount to the value of the property.

Loan to Value Ratio - The ratio, expressed as a percentage, of the amount of a loan (numerator) to the value or selling price of real property (denominator). Usually, the higher the percentage, the greater the interest charged. Maximum percentages for banks, savings and loans, or government-insured loans are set by statute.

Lock in –

Lock in period –

Lot Equity - If a borrower owns the land and is seeking a mortgage for a home under construction, the value of the land may be recognized as a down payment equivalent to cash.

LTV - See Loan to Value and Loan-to-Value Ratio.

Management Fee - The money paid to the insurer by a reinsurer for servicing the business (that is, renewal billings, claim management, etc.).

Margin - Under the terms of an adjustable-rate mortgage (ARM), the margin is a premium that a lender charges which is added to the index. This premium is typically two or three percentage points. Once the lender specifies the margin, it remains fixed.

Market Data Approach - A method of establishing market value by comparing the subject property to properties of similar physical composition, location and value that have sold recently.

Market Value - An estimate of the highest price a property would sell for within a reasonable period of time, on the open market under normal conditions, and between a willing, ready and able buyer and seller.

Maturity –

MBS - See Mortgage-Backed Securities.

Mediation –

Mechanic's Lien - A claim created by law for the purpose of securing priority payment for work performed and material furnished by a mechanic or other person who has done construction or repair of a building. Such a claim attaches to the land as well as buildings and improvements erected on land.

MGIC - Mortgage Guaranty Insurance Corporation.

MI – See Mortgage Insurance.

MIP – See Mortgage Insurance Premium.

Misrepresentation - Information that is provided to and is relied upon by a third party as fact, but that is untrue and material to the risk assumed. The information may be provided with the knowledge that it is untrue and with the intent to deceive, or provided as the truth without knowing for a fact that it is not true.

Mitigation - Alleviation, abatement or diminution of a loss.

MLS - See Multiple Listing Service.

MLS plano – See Multiple Listing Plano.

Modification Agreement - Any agreement between the lender and the borrower that permanently alters any of the terms of the original mortgage or note.

Mortgage - A pledge or security for the payment of a debt.

Mortgage Backed Securities - Bond-type investment securities representing an undivided interest in a pool of mortgages or trust deeds. Security guaranteed by the Government National Mortgage Association (GNMA), issued to savings and loan associations, mortgage bankers, commercial banks and other institutions. The GNMA security holder is backed by the "full faith and credit of the United States."

Mortgage Banker - An entity or individual active in the field of mortgage banking. Mortgage bankers, as local representatives of regional or national institutional lenders, act as correspondents between lenders and borrowers.

Mortgage Banking 1) The origination, sale and servicing of mortgage loans by a firm or individual. 2) The packaging of mortgage loans secured by real property to be sold to a permanent investor with servicing usually retained by the originator for the life of the loan for a fee.

Mortgage Broker - An individual or firm that acts as an agent for both the borrower and the lender of a mortgage loan. The broker places the borrower and lender in contact with

each other, and receives a commission from the borrower if a loan results. Unlike a mortgage banker, a mortgage broker does not negotiate the terms of the loan, issue a loan commitment, prepare the loan documents or service the loan.

Mortgage Commitment – An agreement between the borrower and lender to disburse a mortgage loan at a future date if specified terms and conditions are met.

Mortgage Insurance (MI) – Insurance to lenders in event of property owners default resulting in foreclosure. Types of Mortgage Insurance is offered through various institutions such as HUD (Housing and Urban Development) for FHA financing, and Freddie Mac or Fannie Mae for conventional financing.

Mortgage Insurance Premium (MIP) – FHA insured loans charge an upfront mortgage insurance premium. Upon payment in full of a property owners loan, or when a property owner sells their property and the loan is paid off, many homeowners fail to contact HUD for a refund of their unused MIP. If a homeowner only owns the property for two years and paid the fee up front, on a 30 year mortgage, there is large premium that may be refundable.

Mortgage life and disability insurance – A life and disability insurance program which may be offered through a property owner's lending institution's preferred insurance provider. They may be affiliated or unaffiliated. The lender facilitates payment by including your monthly premium into your mortgage payment and may subsidize a portion of the premium or provide the property owner with a opportunity to acquire this insurance by giving the property owner coverage for the first 30 days as an example.

Mortgagee - The institution, group or individual that lends money on the security of pledged real estate; the association, the lender.

Mortgage Guaranty Insurance - Insurance written by an independent mortgage guaranty insurance company that protects the mortgage lender against loss incurred by a mortgage default, thus enabling the lender to lend a higher percentage of the sales price. The federal government writes this form of insurance through the Federal Housing Administration (FHA) and the Veterans Administration (VA).

Mortgage Guaranty Insurance Premium – (MIP) The amount paid by a mortgagor for mortgage guaranty insurance either to the FHA or a private mortgage guaranty insurance company.

Mortgage Lender - A classification used to describe those institutions or organizations at least partially engaged in the primary mortgage market - that is, extending funds directly to the borrower.

Mortgage Loan Correspondent - A mortgage banker who services mortgage loans as an agent for either the owner of the mortgage or an investor. Also applies to the mortgage banker in the role of originator of mortgage loans for an investor.

Mortgage Note - A written promise to pay a sum of money at a stated interest rate during a specified term. It is usually secured by a mortgage.

Mortgage Pass/Through Certificate - Securities that represent the purchaser's ownership of an undivided interest in a pool of mortgages, typically for residential loans. Unlike bonds, these securities constitute a sale of assets by the originator/issuer. There may be a legal obligation for repayment on the part of the originator/issuer, other than to "pass through" payments collected on the underlying mortgages or credit insurance policies.

Mortgage Portfolio - The aggregate of mortgage loans held by an investor or serviced by a mortgage banker.

Mortgagor - The owner of real estate who pledges his property as security for the repayment of a debt; the borrower.

Multiple Borrowers - Two or more borrowers who are not husband and wife.

Multiple Dwelling Units – Two or more attached or adjoining residences which are owned by one entity and financed as a singular unit in whole. Examples would be apartments, duplexes, tri-plexes etc... T

Multiple Listing plano – The listing print out describing property information as listed on the multiple listing service.

Multiple Listing Service – A Service for Realtors® and their Brokers to house listing data on properties for sale in an effort to assist in member access and consumer viewing on public domains. Multiple Listing Services work conjunctively with the Area Association of Realtors® and it's member subscribers (Realtors®).

Negative Amortization – The gradual increase in the balance of a loan, caused by adding unpaid interest to the loan balance. The unpaid interest is a result of monthly payments being less than the amount required to pay the interest. Negative amortization can occur on a potential or scheduled basis. (a) Potential negative amortization: Negative amortization that results from borrower optional payment caps. (b) Scheduled negative amortization: Negative amortization that is scheduled to occur during the life of the loan.

Net Yield - The part of the gross yield remaining after the deduction of all charges or costs, including servicing.

No Cash-out Refinance –

No Cost Loan –

NOD - See Notice of Default.

Non/Owner/Occupied Property - Property purchased by a borrower not for a primary residence but as an investment with the intent of generating rental income, tax benefits and profitable resale.

Note - A written promise by one party to pay a specified sum of money to a second party under conditions agreed upon mutually. Also called "promissory note."

Note Rate - The interest rate on the mortgage loan.

Notice of Default - A notice recorded after the occurrence of a default under a deed of trust or mortgage. Typically required by an interested third party that has insured or guaranteed the loan.

Offer to Purchase – A document completed by a home buyer specifying the terms and conditions which real estate will be purchased.

Open-End Mortgage - A mortgage with a provision that the outstanding loan amount may be increased upon mutual agreement of the lender and the borrower.

Original Principal Balance –

Origination Fee - The fee that the lender charges the borrower to cover the cost of issuing a loan commitment. It pays for processing the loan which includes collecting information about the borrower's creditworthiness and the property. The fee is usually computed as a percentage (for example, 1%) of the mortgage loan. It usually does not include fees for appraisals, credit reports, inspections and loan document preparation.

Owner Financing – (See Seller Carryback.)

Owner-Occupied Property - The borrower or a member of the immediate family lives in the property as a primary residence.

Par - The principal amount of a mortgage with no premium or discount (100%).

Partial Payment - In loan collection, a loan payment that is less than the amount due under the terms of the mortgage note. Usually, it will not be credited to the account until the balance of the amount due is paid.

Payment change date –

Partial Release - A mortgage lender's or lienholder's relinquishment of its claim to some portion of the property which originally stood as security for the mortgage loan.

Participation - A mortgage loan made jointly by two or more lenders or owned jointly by two or more investors.

Participation Certificate - A document setting forth the actual package of loans and the share of the package that is being bought or sold; the certificate is attached to a previously executed loan participation agreement.

Payment Shock - Occurs when the terms of a mortgage instrument require an increased payment and the borrower is unable to make or keep up with the increased payment obligation.

Perfecting Title - The process of eliminating any and all claims, other than the owner's, to the title of a property. (See Title.)

Performance Bond - A bond to guarantee performance of a specified act, such as the completion of property or off-site improvements.

Periodic rate cap –

Permanent Financing - A mortgage loan usually covering development costs, interim loans, construction loans, financing expenses, and marketing, administrative, legal and other costs. This loan differs from a construction loan in that the financing goes into place after the project is constructed and open for occupancy. It is a long-term obligation, generally for a period of 10 years or more.

Personal Property –

Personal Property Insurance –

Pipeline - The accumulation of borrower loan applications that are actively processed in anticipation of closing.

PITI - See Principal Interest Real Estate Tax Insurance.

PITI Ratio - Compares the amount of the monthly income to the amount the borrower will owe each month in principal, interest, real estate tax and insurance on a mortgage. It is used by lenders in deciding whether to give the borrower a loan. (Compare to Qualifying Income Ratio.) Also called "income-to-debt" ratio.

PITI Reserves (See Impound Account.)

Planned Unit Development - A project that may consist of any combination of one- to four-family homes, condominiums and other styles of residential housing. The individual unit and often the real estate under it are owned by the individual owner. The common facilities are owned and maintained by a homeowner's association.

Pleadings - The formal allegations by the parties to a lawsuit of their respective claims and defenses for consideration/disposition by the court.

Pledged Account - Funds put into an account to cover the difference in monthly payments of a graduated payment mortgage loan. Money is withdrawn to supplement the lower monthly principal and interest payment to bring it up to the necessary amount needed to amortize the loan within the contracted term.

Pledged Account Loan - A loan partially secured by the buyer or third party depositing funds into a savings account as collateral security for the loan. A portion of the monthly payment may be drawn from the account over the certain initial years of the loan.

PMI – See Private Mortgage Insurance.

Points - An amount equal to one percent of the principal amount of a note. Loan discount points are a one-time charge assessed at closing by the lender to increase the yield on the mortgage loan to a competitive position with other types of investments.

Portfolio Mortgage Lender - A lender that primarily originates mortgages that will be kept in the lender's own holdings.

Power of Sale - A legal procedure in **some states** in which the lender exercises a right, expressed in the loan documents, to take title to the property of the defaulting borrower and offer it at public sale to the highest bidder. There is no court action involved.

Power of Attorney –

Pre-approval –

Pre-audit –

Premium Price - Any price greater than 100 cents on the dollar of principal balance sold.

Prepaid Interest - Interest that the borrower pays the lender before it becomes due.

Prepayment - A loan repayment made in advance of its contractual due date.

Prepayment Penalty - A penalty under a note, mortgage or deed of trust imposed when the loan is paid before its maturity date.

Prepayment Privilege- The right given a borrower to pay all or part of a debt prior to its maturity. The mortgagee cannot be compelled to accept any payment other than those originally agreed to.

Pre-qualification –

Price - The number of cents on the dollar of total principal balance acquired which is paid by an investor.

Primary Mortgage Market - The market where mortgage funds are distributed from lenders to individual borrowers. It is contrasted with the secondary mortgage market (see Secondary Market), where mortgage loans are sold by lenders to investors.

Primary Underwriter - An underwriter at the lending institution who takes the most comprehensive look at the entire loan package because he or she is responsible for the decision whether to make a loan to a prospective borrower.

Prime rate –

Principal –

Principal Balance - The outstanding balance of a mortgage, exclusive of interest and any other charges. The capital sum of a loan.

Principal Interest Real Estate Tax Insurance (PITI) - The total mortgage payment which includes principal, interest, taxes and insurance.

Principal payments - Any monthly payments where a borrower pays additional funds along with their monthly payment should include instructions on where to apply the additional funds in order for it to be applied where the borrower has intended; Otherwise, the lender may apply your overage to your impound/escrow account when you think you are making additional principal payments.

Private Mortgage Insurance (PMI) –

Processing - Gathering the loan application and all of the required supporting documents (including the property appraisal, credit report, credit history, and income and expenses) so that a lender can consider the borrower for a loan.

Profitability - The challenge a lender faces to structure a loan so that a healthy margin of profit is maintained in an environment of fluctuating interest rates.

Promissory Note - A document in which the borrower promises to pay a stated amount on a specific date. The note normally states the name of the lender, the terms for payment and any interest rate.

Property Appraisal - A supportable estimate of a property's market value determined by a trained and certified appraiser who measures the likelihood that a property will maintain its value over the duration of the loan.

Prorate - To divide expenses and income between a buyer and a seller in proportionate shares. For example, a buyer purchases property at midyear after the seller has already paid taxes on the property for the whole year. The buyer reimburses the seller for one-half of those taxes, the pro-rata share, for the buyer's share of that year.

Public Auction –

PUD - See Planned Unit Development.

Purchase Agreement – See Purchase contract.

Purchase Money - Refers to a loan for the purpose of purchasing a home, rather than a loan refinance or home improvement loan.

Qualifying Income Ratio - Income analysis used by lenders in deciding whether to offer the borrower a loan. One type of analysis compares only the amount of the proposed monthly mortgage payment to the monthly income. (See PITI Ratio.) Another compares the amount of the total monthly payments (for example, car, credit card and proposed mortgage payments) to the monthly income.

Quit Claim Deed –

Quote - Specifies the interest rate and any fees in a mortgage deal.

RAM - See Reverse Annuity Mortgage.

Rate and Term Refinance - The borrower replaces a mortgage loan on the subject property with another mortgage loan for the purpose of getting a better interest rate and loan term.

Rate Lock –

Real Estate Agent – A person who has schooled and received accredited hours required by the government agency (Department of Real Estate for their particular state), passed the examination and requirements necessary for them to receive and maintain a real estate license. Also referred to as licensee. A Real Estate agent may or may not be a Realtor®. Refer to Realtor® for more information. A Real Estate Agent is one who is authorized to act for or represent a party in the sale or purchase of real property.

Real Estate Mortgage Investment Conduit - The mortgage offspring of tax legislation that simplifies tax and legal considerations when issuing multi-class, mortgage-backed securities.

Real Estate Owned - A term used by lending institutions that refers to ownership of real property acquired for investment or as a result of foreclosure.

Real Estate Settlement Procedures Act - Federal legislation designed to help home buyers compare settlement costs among lenders and to eliminate kickbacks.

Real Property - Land and anything permanently affixed to the land, such as fences, buildings and those things attached to the buildings, such as light fixtures or plumbing. May refer to rights in real property as well as the property itself.

Realtor® - A Real Estate Agent/licensee who is an active member in the local board affiliated with the National Association of Realtors® and is also a member of the National Association of Realtors®. A Real Estate agent may or may not be a Realtor®. (See Real Estate Agent.) A Realtor® must follow a strict code of ethics

Recasting - An adjustment to the current mortgage - a loan modification - that does not involve the issuance of a new mortgage guaranty insurance certificate. With a recast loan, a modification may be made in the type of instrument involved. In whatever form a recast loan takes, the major benefit to the borrower is the potential for substantially reduced mortgage payments.

Receiver - A court-appointed person who holds property and any income from it pending a court-ordered final resolution of the legal dispute.

Recorder –

Recording –

Recourse Loan - A type of loan in which a lender can hold the borrower personally liable if the borrower fails to meet all the requirements of the mortgage.

Redemption Period - The time period in a foreclosure in which a borrower in default cannot be divested of legal title or evicted and can exercise the right to redeem the property by paying the debt in full.

Refinance - 1) To change a loan from one financial institution to another, or to rewrite the terms of a loan contract within the existing lending institution. 2) The payment of a debt from the proceeds of a new loan, using the same property as security.

Regular Periodic Payment - Payments recurring at fixed times.

Regulation x - Federal regulation prescribed by the Secretary of Housing and Urban Development (HUD) to implement Real Estate Settlement Procedures Act (RESPA).

Regulation Z - Federal regulation prescribed by the Federal Reserve Board to carry out the purposes of the Truth-in-Lending Act.

Rehabilitation - The restoration of real property to good use through repair of structures or improvements of public facilities of a declining area or neighborhood with deteriorating influences.

Reinstatement - Occurs when a borrower cures a mortgage default. A mortgage is reinstated if it is brought up to date by paying all charges that had become overdue.

Reinsurer - An insurance company that covers all or part of a loss for primary insurers.

Release and Reconveyance fee –

Remaining Balance –

Remaining term –

REMIC - See Real Estate Mortgage Investment Conduit.

Renegotiable-Rate Mortgage - A type of adjustable-rate mortgage (ARM). The interest rate and terms of the mortgage are completely renegotiated at regular intervals and at the lender's discretion, unlike other ARMs where fluctuations in interest are controlled by a preselected index.

Rent Loss Insurance –

REO - See Real-Estate Owned

Repayment Plan –

Replacement Reserve fund –

Reproduction Cost - An estimate of how much it would cost to construct a similar home with equal utility.

Rescind - To avoid or cancel in such a way as to treat the contract or other object of the rescission as if it never existed.

RESPA - See Real Estate Settlement Procedures Act.

Restraining Order - A prohibitive writ issued by a court of equity that forbids a party or a party's agents to do some act which is threatened or attempted.

Reverse Annuity Mortgage - A non-traditional mortgage in which someone who owns their home free and clear (that is, has paid off all mortgages on the property) receives monthly payments from a lender for a short period of time, usually less than 10 years. At the end of the mortgage, the owner agrees to refinance the loan or sell the property to payoff the loan. Such payments from the lender are often beneficial for retired people, who know they won't be in a house for more than five or 10 years, because the payments can help them make tax and insurance payments.

Review Underwriter - Usually an underwriter from the mortgage insurer or mortgage investor. The review underwriter takes a less comprehensive look at the loan package and relies more on the findings of the primary underwriter.

Revolving Debt – A credit line such as credit cards and unsecured lines of credit. Also called “open ended credit”. Strongly recommended to avoid financing new purchases or opening new lines of credit while attempting to finance a home.

Right of First Refusal – 72 hours notice is given to the Purchaser of a subsequent offer received wherein the Buyer then has a choice to remove contingencies and close as scheduled or the contract will be cancelled. Terms of 72 hour right of first refusal can be altered or negotiated in contract by your Realtor®.

Roll Over Mortgage - A type of adjustable-rate mortgage (ARM). With a roll-over mortgage, the interest rate and payment terms can be renegotiated, usually every five years.

RRM - See Renegotiable-Rate Mortgage.

Sales Concessions and Financing - 1) Owner-financed transactions. 2) Chattel included in the sale. 3) Points or fees paid to the lender by the developer, not by the borrower.

Sales Contract - A written agreement between competent parties stating all terms and conditions of a sale.

Satisfaction of Mortgage - The legal document, usually recorded, that proves that the borrower completely paid off the mortgage. It is given to the borrower by the lender.

Scheduled Items - A Federal Savings and Loan Insurance Corporation (FSLIC) regulatory category in which every insured lending institution is required to include the total amount of its slow loans, real estate owned as a result of foreclosure, real estate sold on contract and all non-conforming loans.

Seasoned Loan - A loan that has been closed and on a lender's books for at least 12 months.

Secondary Financing - Loans secured by the property, but subordinated to the first mortgage.

Secondary Market - An informal market where existing mortgages are bought and sold. It is the traditional aftermarket for mortgage loans that brings together lenders that sell mortgages with lenders, investors and agencies that buy mortgages. Also called "secondary mortgage market," it should not be confused with a second mortgage.

Secured Party - Usually the lender who holds the security interest in, or lien on, a property. Also known as "mortgagee." (See Security Interest, Lien.)

Security - The collateral or property given, deposited or pledged to ensure the fulfillment of an obligation or payment of a debt.

Security Instrument - A recorded legal document given by the borrower to the lender. It pledges the title of the property as insurance to the lender for the full payment of the mortgage. Mortgages, deeds of trust and deeds to secure debt are considered security instruments. (See Mortgage, Deed of Trust. A security instrument contains the description of the property.

Security Interest - The legal right or share that the mortgage lender holds to the property.

Seller Carryback – The Seller acts as the lender for a pre-determined and agreed upon loan amount. Payments are made from the Buyer/Borrower to the Seller directly or to an outside disinterested third party such as a Servicing Agent. The Servicing agent can handle the payment processing and forwarding and works well as an intermediary between the parties. This type of financing is usually on a Note secured by Deed of Trust and as all financing instruments are still subject to foreclosure. Your Realtor® can assist you in negotiating the terms. There are some cases where the Seller will carry the note with no qualifying and will carry the full note with a large down payment. Interest can be negotiated, but may be higher for no qualifying carrybacks.

Seller Property Disclosure (SPDS) – A document prepared by a Design Review Committee in assistance with the Arizona Association of Realtors which assists Buyers of real property in disclosure of anything the Seller is able to share regarding the property. This form goes to great lengths of detail. A Seller should answer the Seller Property Disclosure as accurately as possible to insure the Buyer has any and all details that the Seller is aware of regarding the property. There could obviously be some items which are not an issue to the Seller, however, it may be of an issue to the Buyer. An example may be anything related to property which may have an impact on the Buyer's decision to purchase. This form has prevented many lawsuits and complaints in the real estate industry since adapted. This form is not required by law, but many Brokerages have adapted it as policy to be provided to the Buyer. It has been a great tool in our real estate industry. If the Seller doesn't know an answer, it is best not to answer if they are not sure. Buyers should do their due diligence to investigate anything that may be of concern to them during their inspection period.

Selling Agent – A real estate agent working with a Buyer of real property. (see which as opposed to Listing Agent. Refer Agency Relationships, Limited Dual Agency and Buyer Representation vs. Seller Representation).

Septic tank - A small scale [sewage treatment](#) system common in areas with no connection to main sewerage pipes provided by private corporations or local governments. In North America, 25% of population have septic systems. Some large metropolitan areas run mostly on septic such as in Indianapolis. A septic inspection and clean should be done

during an inspection period. Review AAR contract for details. Some minor chemical additions can be added occasionally to promote longer usage between cleans.

Servicing - All the management and operational procedures that the mortgage company handles for the life of the mortgage, up through foreclosure if necessary, including: collecting the mortgage payments, ensuring that the taxes and insurance charges are paid promptly, and sending an annual report on the mortgage and the escrow accounts. (See Escrow Account.)

Servicing Costs - The expenses incurred by the seller/servicer in servicing loans, including money spent on staff, computer facilities, foreclosure costs, etc.

Servicing Fee - The monthly fee retained by the loan servicer according to the terms of a servicing agreement.

Servicing Released - A loan sale in which the original lender relinquishes loan servicing responsibilities to the institution or investor purchasing the loan.

Servicing Retained - A loan sale in which the original/ender's servicing department continues to service the loan after the sale to a secondary institution or investor.

Settlement Statement - The complete breakdown of costs involved in the real estate transaction for both the seller and buyer.

Sheriff's Sale - A legally instituted sale of a property in foreclosure that is presided over by a sheriff appointed by the court.

Sold Loan - A mortgage loan that has been sold to another institution or investor. Sold loans may continue to be serviced by the seller.

Special Assessment - A claim against a property which arises when a major improvement is made by the local/state government. For example, a sewer line, street paving or street lighting. The total cost is distributed among the benefited properties. Failure to pay any installment of a special assessment may result in foreclosure by the political entity which is responsible for the assessment.

Standby Commitment - A commitment to purchase a loan or loans with specified terms, both parties understanding that delivery is not guaranteed. The commitment is issued for a fee, with willingness to fund in the event that a permanent loan is not obtained. Such commitments are typically used to enable the borrower to obtain construction financing at a lower cost on the assumption that permanent financing of the project will be available on more favorable terms when the improvements are complete and the project generates income.

Standard Mortgage - A type of mortgage loan that carries a fixed interest rate and has fixed monthly payments over the life of the loan. Traditionally, the most common type of

conventional mortgage loan.

Standard Renewal - An insurance renewal option. The renewal rate is based on the outstanding loan balance at the time of each renewal.

Statute of Limitations - A law which limits the bringing of a court action (civil or criminal) to within a specified period of time or else it is barred.

Statutory Redemption Period - A time period during which a mortgage, land contract, deed of trust, etc., can be redeemed. The time period is usually set by statute.

Statutory Reporting - An accounting method used by insurance companies to report their financial information to regulators.

Statutory Right of Redemption - In certain states, a defaulted borrower's right to redeem his property for a specified period of time after a foreclosure sale by paying off the debt(s) in full. Also called "statutory redemption."

Stay - The ceasing of a judicial proceeding.

Straight/Term Mortgage - A mortgage loan granted for a fixed term of years, with the entire loan becoming due and payable at the end of that time.

Strict Foreclosure - A legal proceeding in which the lending institution brings court action against the borrower. The court sets a date by which the borrower must redeem his debt in full or title will pass automatically to the lender without public sale.

Subdivision – The process of platting out a parcel of land into pieces for sale or development. A parcel split into 6 or more pieces would require a subdivision report and require applying for a subdivision through the city or county municipality. Information on subdivided properties or subdivisions can be obtained by viewing By-laws, CCR's (Covenants, Conditions and Restrictions as recorded in the County records and inquiry with building permit division and Planning and Zoning.

Subject Property - The property that is the subject of an appraisal.

Subordinate Lien - A lien by which an encumbrance is made subject to or junior to the original lien.

Subrogation - The substitution of one person for another, so that the former may exercise certain rights or claims of the latter.

Summons - A writ requiring the sheriff or other property officer to notify the person named in an action that he or she is required to appear on a specific day named to answer the allegations of a petition or a complaint.

Survey - A measurement of land, prepared by a registered land surveyor, showing the location of the land with reference to known points, its dimensions and the location and dimensions of any improvements.

Sweat Equity – One instance of Sweat Equity would be the time, expenses and manual labor involved in renovating or refurbishing a property in exchange for a higher value in equity. Another instance is an exchange for credit on a purchase price if negotiated Sweat Equity between a Seller and a Purchaser on a lease purchase.

Take/Our Commitment - A promise to make a loan at a future specified time. It is most commonly used to designate a higher-cost, shorter-term, back-up commitment as a support for construction financing until a suitable, permanent loan can be secured.

Tax Lien - A lien on a property by local, state or federal government for the amount of due and unpaid taxes.

Tax Service fee – A closing cost for new financing charged by the lender to the Borrower.

Tenancy in Common - In law, the type of tenancy or estate created when real or personal property is granted, devised or bequeathed to two or more persons in the absence of express words creating a joint tenancy. There is no right of survivorship.

Tenant - One who is not the owner, but occupies real property (see Real Property) with the consent of the owner. The tenant is entitled to exclusive possession and enjoyment of the property for a specified period of time and is responsible for the payment of rent as specified in a lease.

Tender - To offer or present for acceptance.

Term - The time period granted for repayment of a loan. Also known as "loan term."

Third Party - A general term that includes anyone not a party to a contract, agreement, instrument, etc.

Thriffs - A term referring to lending institutions such as savings and loan associations, credit unions and mutual savings banks. The name "thrift" stems from the early history of these institutions when they were organized to "promote thrift, generally among the laboring poor."

TIL - See Truth-in-Lending Act.

Title - The evidence of the right to or ownership in property. In the case of real estate, the documentary evidence of ownership is the title deed, which specifies in whom the legal state is vested and the history of ownership and transfers. Title may be acquired

through purchase, inheritance, devise, gift or through the foreclosure of a mortgage.

Title Insurance Binder - 1) A report issued by a title insurance company stating the condition of title to certain property as of a certain date and also stating conditions which, if satisfied, will cause a policy of title insurance to be issued. Also called "commitment."
2) A policy of title insurance (used primarily by investors) calling for a reduced rate for a future policy if the property is sold within a specified period.

Title Company –

Title Insurance Policy - A contract by which the insurer, usually a title insurance company, indicates who has legal title and agrees to pay the insured a specific amount of any loss caused by clouds, claims or defects of title to real estate, where the insured has an interest as owner, mortgagee or otherwise. (a) Owner's Title Policy: Usually issued to the landowner himself. The owner's title insurance policy is bought and paid for only once and then continues in force without any further payment. Owner's Title Insurance policies are not assignable. (b) Mortgagee's Title Policy: Issued to the mortgagee and terminates when the mortgage debt is paid. In the event of foreclosure, or if the mortgagee acquires title from the mortgagor in lieu of foreclosure, the policy continues in force, giving continued protection against any defects of title which existed at, or prior to, the date of the policy.

Title Search –

Total Principal Balance - The sum of the outstanding principal balances of the loans in the package.

Treasury Index –

Treaty - A reinsurance contract that covers all risks identified in the contract; a group of risks as opposed to an individual risk.

Tri-merge Credit report –

Trustee - 1) Someone who holds the legal title to another's property, usually as security for a debt that person owes a lender. 2) A fiduciary who holds or controls something for the benefit of another. 3) A third party to whom property is legally committed in trust.

Trustor - In a deed of trust, the borrower is referred to as the trustor.

Truth/in/Lending Act - Federal legislation that provides borrowers with specific information on the cost of obtaining credit.

Two-step mortgage – A financial instrument/mortgage wherein there is an adjustable rate mortgage with a set interest rate in the beginning for a term (ie. 5 years) and then it adjusts to an alternate pre=fixed interest rate for the remainder of the loan.

Underlying Mortgage - A lien that has priority over liens of other creditors. It must be repaid before the other liens are fully paid.

Underwriting - In mortgage lending, the process of approving or denying a loan based on an evaluation of the property and the applicant's creditworthiness and ability to repay the loan. The underwriter analyzes the risks involved and selects an appropriate loan term and interest rate.

Uniform Settlement Statement - Provides an itemization of both the seller's and borrower's costs for closing the loan.

V A - See Veterans Administration.

VA Certificate of Reasonable Value - The Veterans Administration (VA) issues a Certificate of Reasonable Value at a specific amount, agreeing to guarantee a mortgage loan to an eligible, qualified veteran buyer upon completion and sale of the house. The veteran must be aware of the VA's appraised value of the property.

VA Eligibility – A Veteran may have entitlements to certain VA benefits such as acquiring a VA Mortgage through an approved lender. A lender or the veteran may request a VA Eligibility Certificate in behalf of the borrower. Appropriate forms need to be completed and submitted. Refer to the [VA website](#) for more details.

VA Mortgage – A loan or financing instrument secured against real property and insured by the Veteran's Administration. Only Eligible Veterans may obtain this financing (See VA Eligibility.)

Variable Rate Mortgage - A long-term mortgage loan in which the interest rate may vary or float periodically throughout the term of the loan. The fluctuations are generally based on an interest rate index and are restricted under the terms of the mortgage. Also called "adjustable rate mortgage."

Verification of Deposit - A form sent to each depository listed on the loan application to verify the funds of the borrower at such institution.

Verification of Employment - A form sent to the borrower's employer to verify the borrower's employment and employment history.

Vested – In real estate someone gains a privilege to something not rightfully owned because of regular long time useage, such as an easement which would become vested on another's property after long time use.

Vested Rights Doctrine - applies to zoning law wherein an owner or developer is enabled to proceed based on certain criteria.

Veterans Administration - An independent agency of the federal government which helps veterans get long-term, low down payment mortgages. The agency normally does this by guaranteeing a portion of a lender's loans against loss. In return for this guarantee, lenders must follow prescribed procedures for loans established by the Veterans Administration (VA).

VOD - See Verification of Deposit.

VOE - See Verification of Employment.

Voluntary Conveyance - A transfer of title to real property, usually from a delinquent mortgagor to the mortgagee, given voluntarily to satisfy the balance due on a defaulted loan and to avoid foreclosure proceedings. Also called "deed in lieu of foreclosure" or "voluntary deed."

Voluntary Deed - See Deed in Lieu of Foreclosure.

Waive - To knowingly abandon, relinquish or surrender a right, benefit or claim.

Waiver of Lien - One who supplies labor or materials, such as a contractor, who holds legal claim to the value of those materials until paid in full. If such person executes a waiver of lien, the claim is surrendered against the property, and coincidentally, the right to enforce payment through it.

Warehousing - The borrowing of funds by a mortgage banker on a short-term basis at a commercial bank using permanent mortgage loans as collateral. This form of interim financing is used until the mortgages are sold to a permanent investor.

Warranty - A legal, binding statement in which one party gives another party certain assurances regarding the property being sold, usually upon which the latter party can rely upon.

Warranty Deed - A deed used in many states to convey good fee simple title to real property.

Weighted Average Yield - The average of the coupon rates of the loans in the package in which each rate is "weighted" according to the balance of the corresponding mortgage.

Well Water - A **water well** is an excavation or structure created in the ground. By digging, driving, boring or drilling to access water in underground aquifers. The well water is drawn via an electric submersible pump or a mechanical pump (ie. from a water-pumping windmill). A storage tank with a pressure of 40-60 psi is usually added to the system (after the pump), so the pump does not need to operate constantly. To reduce the electricity required to pump up the water, often, a cistern is also added along with a small

second pump. It can also be drawn up using containers, such as buckets, that are raised mechanically or by hand, although not essential.

Wells can vary greatly in depth, water volume and water quality. Well water typically contains more minerals in solution than surface water and may require treatment to soften the water by removing minerals such as arsenic, iron and manganese. If purchasing a home on a well, check on whether it is shared and have the water pressure inspected by a professional. Water rights are also something you can investigate. City Water is also drawn from sources such as an aquifer, canals, rivers etc. and requires treatment. Check with your water municipality for details.

Whole Loan - A loan in which a seller retains no interest in that loan upon sale, but normally continues to service it for a fee.

Work Equity - Work to be completed by a borrower on a home under construction that may be applied as part of a down payment.

WRAP - See Wrap-Around Mortgage.

Wrap-Around Mortgage - A form of refinancing. (See Refinance.) When the borrower already owns a property and borrows more money, the lender combines the amount still owed on the home's original loan (see First Mortgage) with the new amount to form one wraparound mortgage.

Yield - The effective rate or return on an investment based upon the fees, the rate of interest and the price paid for the mortgage.