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Glossary of Terms

A

Abandonment – The situation in which a homeowner leaves a house with no intention to return.

Absolute Auction – Auction with no minimum bid amount. The highest bidder gets the property.

Absolute Net Lease – Also called net-net-net lease that requires payment of all or part of the real estate taxes, insurance, and other expenses.

Abstract (Abstract of Title) – Recorded history of the property listing sales, mortgages, liens, etc.

Abstract Of Judgment – Summary of judgment which shows who won the lawsuit, who lost, how much is owed, what court made the decisions, the date of the judgment and the attorney for the winner of the lawsuit. Once the abstract of judgment is recorded (filed with the county clerk or county recorder), it creates a general lien on the judgment debtor's property, including the real estate. An abstract of judgment will be discovered by a title company whenever a landowner tries to sell the land. Most title companies will demand that it be paid off as a condition of insuring the resale.

Acceleration – The right of the mortgagee (lender) to demand the immediate repayment of the mortgage loan balance upon the default of the mortgagor (borrower), or by using the right vested in the Due-on-Sale Clause.

Acceleration Clause – A clause used in an installment note and mortgage (or deed of trust), which gives the lender the right to demand payment in full upon the occurrence of a certain even, such as failure to pay an installment payment by a certain date, change of ownership without the lenders consent, destruction of the property or any other event which endangers the security of the loan.

Acceptance – When the seller's or agent's principal agrees to the terms of the sale, approves the negotiation on the part of the agent, and acknowledges receipt of the deposit in subscribing to the agreement of sale.

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.)

Accrued Items of Expense – Those incurred expenses that are not yet payable. The seller's accrued expenses are credited to the purchaser in the closing statement.

Acknowledgement – A written declaration by a person executing an instrument, given before an officer authorized to give an oath (usually a notary public), stating that the execution if of his own volition.

Acquisition Costs – Costs of acquiring property other than purchase price – escrow fees, title insurance, lenders fees, etc.

Acre – Land of 43,560 square feet.

Ad Valorem Tax – A real estate tax based on the assessed value of the 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 pre-selected 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 ARM's 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 – The amount added to or subtracted from the sales price of comparable properties to obtain an adjusted sales price that more accurately reflects the subject property's value.

Adjustment interval – On an adjustable rate mortgage, the time between changes in the interest rate and/or monthly payment, typically one, three or five years, depending on the index.

Adjustment Period – An adjustable-rate mortgage (ARM) contains a provision for the adjustment of the interest rate. The time period between adjustments is known as the adjustment period.

Adverse Possession – Acquiring title to real property by physical possession of the property for a certain period of time by someone other than the owner.

Affidavit – A written statement sworn before an authorized official or notary.

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

Agent – One who is authorized to act for, or represent, another (principal). Authority may be expressed or implied.

Agreement – A general term usually describing a common view of two or more people regarding the rights and obligations of each with regard to a given subject. Not necessarily a contract, although all contract are agreements.

Agreement of Sale – An agreement between the buyer and seller of real property setting forth the price and terms of the sale.

Alienation – Transfer of interest in or title to home to another person or entity.

Alienation Clause – A clause that states that upon sale or transfer of certain property, a loan is immediately due and payable. See Acceleration Clause and Due on Sale Clause.

All-Inclusive Deed or Trust – A form of deed of trust that, in addition to any other amounts actually financed, includes the amounts of any prior deeds of trust. See Wrap Around Contract.

Amendment – A change, either to correct an error or to alter a part of an agreement without changing the principal idea or essence.

Amenity – A features (good schools, architecture, etc.) that increases the value of the property.

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 specific interest rate.

Amortize – To reduce a debt by regular payments both principal and interest, as opposed to interest only payments.

Amortized Loan – A loan that is paid back in installments for its principal and interest.

Annual Percentage Rate – The actual interest rate the borrower pays when all the costs of obtaining credit are included.

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.

Apportionment – The adjustment of the income, expenses, or carrying charges of real estate that are usually computed to the date of closing of title so that the seller pays all expenses to that date. The buyer assumes all expenses from the date on which the deed in conveyed to the buyer.

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.

Appraisal by Comparison – An estimate of value by comparing the sale prices of other similar properties.

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 – A right, privilege or improvement that belongs to and passing with the land.

APR – Annual Percentage Rate.

Arbitration – Binding or nonbonding settlement of a dispute by a third-party arbitrator.

ARM – Adjustable Rate Mortgage.

"AS IS" Condition – Premises accepted by a buyer in the condition existing at the time of sale, including all physical defects.

Assessed Value – Value placed on property for property tax purposes by the tax assessor.

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 – An official who has the responsibility of determining assessed valuation.

Assessors Parcel Number – A number assigned by the county tax assessor to identify a parcel of real property.

Assignee – The party to who a property is transferred.

Assignment – A transfer of title to another of any property, real or personal, or any rights or estates in said property. Common assignments are of leases, mortgages, deeds of trust or notes, but the general term encompasses all transfers of title.

Assignment of Rents – A legal document, sometimes included in the mortgage, which 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 the rents from the subject property.

Assignor – Party transferring the property.

Assumes and Agrees to Pay – A clause in a deed or related document under which a buyer who takes over payments on the seller's old loan also agrees to pay old loan. The buyer will normally receive title and make the payments. The "assumes and agrees to pay" language is often found in the consideration section of the deed that transfers title from the seller to the buyer in such an assumption. The seller may or may not be released from liability, but in either case, the buyer is responsible legally to make payments on the loan.

Assumption of Mortgage – Occurs when a person takes title to property and assumes liability for the payment of an existing note or bond secured by a mortgage against the property. The lender usually must approve the new debtor in order to release the existing debtor (usually the seller) from liability. Most mortgage loans are not assumable.

Auction – The process of selling property at a public sale to the highest bidder. The person conducting the sale will call out the initial asking price and each price that anyone in the audience bids until no one will bid a higher price. The auctioneer than calls out "going once, going twice, sold to the highest bidder!"

Automatic Stay – A bankruptcy court order. When bankruptcy is filed, the bankruptcy court will issue a court order that prevents any creditor from attempting to collect any debt from the person who declared bankruptcy. Creditors, even though they are owed money, may not undertake foreclosure, repossession, eviction, or seizure, or even call or write the debtor demanding payment. Instead, they must all come to the bankruptcy court and seek the money they are owed together with the other creditors.

B

Balance Owed on the Loan – The part of the original loan that remains unpaid by the borrower at a given point in time.

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 a lump sum at a specified date, usually at the end of the term of such periodic installments.

Balloon Note – 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 a lump sum at a specified date, usually at the end of the term of such periodic installments.

Balloon Payment – Large installment payment by the end of the term to pay off the entire principal of a debt.

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 Adjusted Cost – Property value for tax purposes.

Basis Point – A finance term meaning a yield of 1/100th of 1% (0.01%) annually.

Bearer – Lender in whose hands the promissory note remains until it is paid in full.

Beneficiary – (1) One entitled to the benefit of a trust. (2) One who receives profit from an estate, the title of which is vested in a trustee. (3) The lender on a security of a note and deed of trust.

Beneficiary's Statement (Benny Statement) – A written statement of the conditions and remaining balance of a loan secured by a deed of trust.

Bill of Complaint – The initial paperwork filed in many states to begin a foreclosure. It is part of the process of filing a lawsuit.

Bill Of Sale – Document transferring title to another party.

Binder – A notation of coverage on an insurance policy, issued by an agent and given to the insured prior to issuance of the policy.

Blanket Mortgage – A mortgage covering at least two pieces of real estate as security for the same mortgage.

Bond – A security document issued by an insurer to guarantee payment in case of failure by the borrower to pay installment payments or any other obligation. Contractors obtain bonds to guarantee their works for homeowners. Compensation is limited by the amount indicated on the bond.

Broker Price Opinion (BPO) – A real estate broker's estimate of the price for which property can reasonably be sold. The broker price opinion is often much cheaper that a professional appraisal, but often just as good, or even more useful because it tells the owner at what price the property can successfully be marketed.

Borrower – One who applies for and receives a loan in the form of a mortgage with the intention of repaying the loan in full.

Bridge Loan – A temporary loan to finance a new purchase of a real estate property until another owned property is sold.

Broker – An independent agent between the lender and the borrower or between the buyer and the seller of a real estate property. Many states require that real estate agents work under a real estate broker. Brokers usually charge a fee or receive a commission for their services.

Building Code – An ordinance specifying the minimum standards of construction for buildings to protect public safety and health.

Buy down – A sum of money paid to the lender at closing to reduce the borrower's out-of-pocket monthly payment. A buy down can be temporary or permanent. Temporary buy down is for reducing the installments during the first few years.

C

C.H.A.R.M. – Consumer Handbook on Adjustable Rate Mortgages (CHARM) required to be given to borrowers of ARM.

C.R.V. – Certificate of Reasonable Value.

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.

Capital Gain – The profit made by selling a real estate property that is subject to tax.

Capital Improvement – A permanent structure erected to extend the useful life and value of property, for example, the replacement of a roof.

Capital Recovery Period – The annual rate that will result in recovering the value of the property until the end of it economic life, also called return of an investment.

Capitalization Rate (CAP) – The rate of return on an investment property on cash basis.

Cash Flow – The amount of cash derived over a certain period of time from an income-producing property. The cash flow should be large enough to pay the expenses of the income producing property (mortgage payment, maintenance, utilities, etc.)

Cash on Cash – The ratio of cash flow to the equity investment amount.

Caveat Emptor – “Let the buyer beware”

CC&R’s (Covenants, Conditions and Restrictions) – A term used to describe the restrictive limitations, which may be placed, on property.

Certificate of veteran status – The document given to veterans or reservists who have served 90 days of continuous active duty (including training time). It may be obtained by sending DD 214 to the local VA office with form 26-8261a (request for certificate of veteran status). This document enables veterans to obtain lower down payments on certain FHA insured loans.

Certificate of Eligibility – The document, given to qualified veterans, which entitles them to VA guaranteed loans for homes, business, and mobile homes. Certificates of eligibility may be obtained by sending DD-214 (Separation Paper) to the local VA office with VA form 1880 (request for Certificate of Eligibility).

Certificate of Occupancy – An authorization by the municipality allowing newly constructed property to be occupied.

Certificate of Sale – A document that a property has been sold to a buyer at foreclosure, subject to a right of redemption for a set period after the foreclosure sale. In an IRS, the redemption period is 180 days. The redemption period is different in other types of foreclosure. Many foreclosures take place without any certificate sale. Instead, if the sale is final, or near final, the buyer gets a deed rather than a certificate of sale.

Certificate of Reasonable Value (CRV) – An appraisal issued by the Veterans Administration showing the property's current market value.

Chain of Title – Listing of all previous owners of the property in chronological order, as far back as records are available.

Change Order – An agreement, in writing, to amend remodeling or repair contract due to changes in materials, prices, dates for completion, deletion and addition of works.

Chapter 13 – One of the bankruptcy chapters in the federal Bankruptcy Code. Under Chapter 13, a wage-earner can reduce debt payments through a bankruptcy court order according to the terms of a plan that will allow the debtor to pay much, or even all, of the original amount.

Chapter 7 – One of the chapters in the federal Bankruptcy Code. Chapter 7 is liquidation bankruptcy in which a debtor's nonexempt assets are gathered together and given up or sold for the benefit of creditors in order of their priority. Priority creditors get much of the cash, if any. Their debts are not discharged. Secured creditors receive continued payments or the asset that served as collateral for the loan. Unsecured creditors are usually given little or nothing in a Chapter 7 bankruptcy.

Chattel – Personal property not related to real estate property.

Chattel Mortgage – A lien on personal property.

Claim – An assertion of some right or demand.

Clear Title – Ownership rights to a piece of real estate that are not diminished by liens, leases or other types of encumberances. No other ownership claims exist.

Closing – The meeting between the buyer, seller and lender or their agents where the property and funds legally change hands. Also called settlement. Closing costs usually include an origination fee, discount points, appraisal fee, title search and insurance, survey, taxes, deed recording fee, credit report charge and other costs assessed at settlement. The cost of closing usually is about 3% to 6% of the mortgage amount.

Closing Costs – All costs, excluding down payment incurred in buying a real estate property or obtaining a loan, such as loan fees, title fees, appraisal fees, etc.

Closing Date – The date upon which the buyer takes over the property.

Cloud on Title – An outstanding claim or encumberance that, if valid, would affect or impair the owner's title.

CMA – Comparative Market Analysis to compare the prices of recently sold homes that have similar specifications in terms of location, style and amenities.

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 – Any value used as security until the loan is paid off. The real estate is collateral for a mortgage loan.

Collections – An activity in which lenders or their agents employ various techniques to put pressure on borrowers to pay what they owe.

Color of Title – An apparent, invalid, title.

Combination Loan – Conversion of a construction loan into a permanent loan.

Commercial Bank – An institution for savings, loans, checking accounts and other services not all of which are found at savings and loan institutions. Banks are generally more active in construction loans rather that long term real estate financing.

Commission – Fee paid to real estate agent/broker in selling and finding a property. Commissions are typically 6 percent of the property value divided equally between listing and buyer's agent.

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.

Commitment Fee – A percentage of a new loan charged by the lender to make the funds available for a certain period.

Common Area – Jointly owned areas of a property owned by more than one owner.

Community Property – Property owned in common by, and acquired by joint effort of, a husband and wife, which was not acquired as separate property.

Co-Mortgagor – Co-Borrower

Comparable Sale (Comp) – Sales, which have similar characteristics as the subject property and are used for analysis in the appraisal process to determine the value of subject property.

Comparables – Properties in the same neighborhood that are equivalent or very similar to the property in question.

Compensating Factor – A favorable factor that helps borrower who has insufficient points in other areas in loan application.

Compound Interest – Interest is calculated on the principal plus previously accrued interest.

Condemnation – The acquisition of private property for public use, with fair compensation to the owner.

Conditional Commitment – A loan commitment given before a borrower (buyer) is obtained, and subject to approval of the buyer by the lender.

Conditional Sales Contract – A contract for the sale of property stating that, although delivery is to be made to the buyer, the title is to remain vested in the seller until the conditions of the contract have been fulfilled.

Condominium – A structure of two or more units, the interior space of which are individually owned; the balances of the property (both land and building) is owned in common by the owners of the individual units.

Conforming Loans – A loan that is in compliance with the guidelines created by Fannie Mae or Freddie Mac. The lenders can easily sell such loans to these institutions in the secondary market.

Conservatorship – A state of affairs in which a bank or savings and loan association has been taken over by the FDIC or RTC and is being managed by these federal institutions, either directly or through hired managers. The institution will be reserved in its existing form until it can be sold complete or broken down into its major components. The institution is run on a caretaker basis until it can be sold.

Consideration – Money, value, something in kind, benefit, interest, good, real estate, service, anything that has a value. It does not have to be cash.

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 Agreement – A written agreement between a lender and/or a borrower and a builder in which the specific terms and conditions of construction and/or the construction loan, including the schedule of payments, are spelled out.

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

Constructive Notice – Information that a person is assumed, by law, to have simply because it could be ascertained by proper diligence and inquiry, for example, information that is to be found in the public records.

Contingency – A contract clause requiring a certain act to be done or a certain event to occur before the contract becomes binding. For example; the sale of a house, contingent upon the buyer obtaining financing.

Contingency Fee – An employment arrangement commonly used by attorneys in which the attorney is paid a percentage of whatever money damages are awarded at the final judgment in a lawsuit.

Contingent Liability – A debt for which the borrower has cosigned or that the borrower has guaranteed on behalf of another party who is not part of the mortgage insurance request, such as a car loan or a property sold through an assumption. The debt, or "liability" is contingent because the borrower is only obligated for its payment if the other party fails to make timely, regular payments.

Contract – An agreement between two or more persons or entities that create or modify a legal relationship to do or not to do certain things. Generally based upon offer or acceptance.

Contract for Deed – A sales arrangement in which the seller holds title until the buyer finishes paying for the property. The terms of the sale and the payments are set in a written contract signed by the buyer and the seller. At the end of the payment period, the buyer gets title to the real estate by means of a deed.

Contractor – A person or a company that agrees to build, remodel, or repair a real estate property. General contractor agrees to coordinate several different works that require special skills.

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."

Conversion – In terms of property, the exchange of personal real property of one character for use for another.

Conveyance – Transfer of title to land. Includes most instruments by which an interest in real estate is created, mortgaged or assigned.

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

Correlation – The final state of the appraisal process in which the appraiser reviews the data and estimates the subject property's value.

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 – One of the three methods used in the appraisal process. An analysis, in which, an estimated value of a property is derived at by estimating the replacement cost of the improvements, deducting for the estimated accrued depreciation, then adding the market value of the land.

Cost of Living Increase – Annual increase in lease amount due to increase in prices (inflation).

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

Covenants – Agreements written into deeds and other instruments promising performance or nonperformance of certain acts, or stipulating certain uses or restrictions on the property.

Coverage – The amount of money an insurance company will pay in response to a claim.

Credit – The willingness of a borrower to repay borrowed money. It is usually measured by a borrower's past record of payments on loans and debts, which is kept in a credit report.

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 financial matters.

Credit Score – Numerical rating of a borrower's credit, also called credit rating.

Creditor – 1) A person to whom a debt is owed by another person who is the "debtor." 2) Lender that can be a commercial bank, savings bank, credit union, or any other entity licensed to lend money.

Cured Default – Correction of a borrower's failure to make payments or meet the terms of a loan to the lender's satisfaction.

Current Value – The value at the time of an appraisal.

D

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

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

Debt Service – Annual amount to be paid by a debtor for money borrowed.

Debt-to-income ratio – The ratio, expressed as a percentage, which results when a borrower's monthly payment obligation on long-term debts is divided by his or her gross monthly income. See housing expenses-to-income ratio.

Decree – The final order of a court in many states.

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 Reconveyance – An instrument that releases and discharges a deed of trust.

Deed of Restriction – A restriction imposed in a deed to limit the use of the land. A deed might include clauses preventing the sale of liquor or defining the size, type, value, or placement of improvements.

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 owner. If the borrower does not pay the mortgage as agreed, the trustee can sell the property. (See Mortgage.)

Default – 1) A breach or nonperformance of the terms of a note or the covenants of a mortgage or deed of trust. 2) The failure to do what law or the terms of a contract requires.

Defeasance Clause – The clause in a mortgage that permits the mortgagor to redeem his or her property upon the payment of the obligations to the mortgagee.

Defeased – In medieval times ownership rights constituted a fee. To be defeased meant to lose the fee, or today, to lose ownership.

Defendants Original Answer – The first responsive pleading of a defendant in a lawsuit.

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, 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 choosing a monthly payment cap.

Deferred Maintenance – Repairs necessary to put a property in good condition. A concern of a purchaser. An owner may have an account for such maintenance.

Deferred Payment Mortgage – A mortgage that allows the borrower to make payments with delays when the borrower's income is low during the initial period. See balloon payment.

Deficiency – Money a borrower who has lost real estate in foreclosure still owes to the lender because the foreclosure sale failed to generate enough to pay off the loan.

Deficiency Judgment – If the sales proceeds of the security of a loan less than the loan balance the borrower is requested to pay the lender the difference between the mortgage balance and the proceeds of the foreclosure sale.

Delinquency – Failure to make payments on time. This can lead to foreclosure.

Delinquent – A loan payment that has not been received 30 days after its due date.

Demand Note – A note that is payable on demand of the holder.

Department of Veterans Affairs (VA) – An independent agency of the federal government, which guarantees long-term, low-or no-down payment mortgages to eligible veterans.

Deposit – Money given by the buyer with an offer to purchase. Shows good faith. Also called earnest money.

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

Derogatory (Derog) – Used in reference to information on your credit report.

Desktop Underwriting – Automatic underwriting online.

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

Discharge of Indebtedness – A lender tells a borrower that a loan doesn't have to be paid back, also called discharge of debt.

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.

Discounted Mortgage – Selling a mortgage at a lower value.

Discovery – The phase in which respective parties are permitted to ask each other formal written and oral questions, obtain copies of documents and in general find out the facts related to the lawsuit.

Documentary Transfer Tax – A tax applicable to transfers of real property. Notice of payment is entered on the face of the deed or on a separate paper filed with the deed.

Donee – One who receives a gift.

Donor – One who gives a gift.

Dower – A wife's interest in her husband's estate upon his death.

Down Payment – Money paid for the difference between the sales price of real estate and the amount of the mortgage loan.

Due on Encumberance – A clause in a mortgage that prevents a borrower from encumbering title to the property with liens, leases or other encumberances without the lender's consent.

Due on Sale – A clause in a mortgage or deed of trust that allows the lender to demand immediate payment of the balance of the mortgage if the mortgage holder sells the home.

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

E

E.C.O.A (Equal Credit Opportunity Act) – Regulation "B" of Federal Regulations prohibits the lender from discriminating in lending policies.

Early-Ownership Mortgage – A mortgage in which the monthly payments will generally increase at a specified level for a set period of time and then remain constant. The initial monthly payments will generally equal the normal amortizing payment for the stated initial amortization period with increases in the payment being applied to the outstanding principal balance of the loan causing the loan term to be less than the initial amortization period. For example, a loan with an initial amortization period of 30 years, interest rate of 7.5% and four annual payment increases of 5% will be paid off in approximately 20 years.

Earnest Money – Money given with the offer to purchase a property showing buyer's serious intent in consideration on a binding contract.

Earnest Money Contract – A contract in which the seller agrees to sell and the buyer agrees to buy.

Earnings – Money received for labor or personal services rather than a return on capital, although corporate income from all sources is described as 'earnings'.

Easement – A right to the enjoyment or access of land held by another. An easement is a no ownership interest in land.

Easy Doc Loans – Loans requiring less documentation than is usually required from the borrower. For example – The borrower would provide a statement of income but not be required to provide tax returns to prove it.

Economic Life – The period over which a property will yield an economic return over the ground rent due to land.

Eminent Domain – The right of a government to take over a property by paying the fair market value.

Encroachment – A building or some portion of it (a wall, roof, or a fence) extending beyond the land of the owner and illegally intrudes on some land of an adjoining owner or a street.

Encumbrance – Any right or interest in property interfering with the use or transfer =, or subjecting it to an obligation. In connection with foreclosure property, the most likely encumberances are mortgages and claims for unpaid taxes.

Entitlement – The VA home loan benefit is called entitlement. Entitlement for a VA guaranteed home loan. This is also known as eligibility.

Entry and Possession – A method of foreclosure used in some states in which the lender, who already owns the property, re-enters it and takes possession away from the borrower, either peacefully or by court order.

Equal Credit Opportunity Act (ECOA) – A federal law that requires extension of loan to all creditworthy customer without regard to race, color, religion, national origin, age, and sex or marital status.

Equity – The difference between the fair market value and current indebtedness also referred to as the owner's interest. The value an owner has in real estate over and above the obligation against the property. *Value of the property owned by the homeowner = Buying price + Appreciation in value + Improvement made – Mortgage.*

Equity Build-Up – The repayment amounts that reduce the principal balance.

Equity Cushion – The amount of equity required before a lender will make a loan.

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

Equity Line Of Credit – Rotating loan extended up to a certain limit. Interest is paid only on the portion of the loan actually used.

Equity Loan – Junior (subordinate) loan based on a percentage of the equity.

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."

Equity Right of Redemption – A right of the owner to avert foreclosure by paying the debt, interest, and costs.

Equity Skimmer – A scam artist who assumes a loan and collects money up front, and possibly rents, the refuses to pay the payments on the assumed loan while keeping the cash paid up front.

Escrow – The deposit of instruments and funds with instructions to a neutral third party to carry out the provisions of a set agreement or contract; when everything is deposited and recorded to carry out the instructions, it is called completed escrow.

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 Agent – A third party holding money, check, etc. to secure real estate transaction. Typically it is a listing (selling) broker.

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

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

Escrow Officer – An escrow agent, one who has through experience and education, gained a certain degree of expertise in escrow matters.

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.

Estate – The interest, degree, quantity or nature of interest one has in property.

Estoppel Certificate – An instrument executed by the mortgagor setting forth the status of and the balance due on the mortgage as of the date of the execution of the certificate.

Eviction – Removing a nonpaying tenant from the property.

Exclusive Right of Sale – An authorization by the seller to sell the property exclusively by listing it only one broker (exclusive agency).

Execution – Signing and delivery of an instrument.

Execution Sale – The sale of the property by a sheriff pursuant to a court order.

Extending the Loan term – Giving the borrower more time to repay the loan.

Extension Agreement – An agreement that extend the life of a mortgage.

F

F.I.C.O. – Fair, Isaac and Company. A company, which has developed statistical evaluations of credit reports and assigned a corresponding "Risk Score" to each based on information contained in the credit report.

Fair Credit Reporting Act – A federal law giving one the right to see their credit report so that errors may be corrected. A lender refusing credit based on a credit report must inform the buyer which company issued the report and the buyer may see the report without charge if refused credit.

Fair Market Value (FMV) – The value a buyer is willing and capable to pay for a property. An appraisal based on comparisons of similar properties in the neighborhood.

Fannie Mae – Federal National Mortgage Association (FNMA) that buys and sells mortgages in the secondary market.

Farmers Home Administration (FmHA) – A federal government agency under the U.S. Department of Agriculture that provides financing to farmers and other qualified borrowers who are unable to obtain loans elsewhere.

FCL – The abbreviation a lender puts on a borrower's credit record to indicate a foreclosure.

Federal Deposit Insurance Corporation (FDIC) – The corporation set up by the federal government to insure deposits in banks and S&Ls.

Federal Fair Housing Law – Title VII of the Civil Rights Act, which forbids discrimination in the sale or rental or residential properties because of race, color, sex, religion or national origin.

Federal Home Loan Bank Board (FHLBB) – The former name for the regulatory and supervisory agency for federally chartered savings institutions. Agency is now called the Office of Thrift Supervision.

Federal Home Loan Mortgage Corporation (FHLMC) – A publicly owned corporation created by Congress to support the secondary mortgage market. It purchases and sells conventional residential mortgages as well as residential mortgages insured by the Federal Housing Administration (FHA) or guaranteed by the Veterans Administration (VA).

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

Fee Simple – Very common term used to indicate complete and highest form of legal ownership of a property.

FHA – Federal Housing Administration under U.S. Department of Housing and Urban Development (HUD).

FHA Guidelines – Rules that specify income and credit requirements for a borrower, and the condition and value of a property to allow an insured loan of a particular size.

FHA Loan – A loan insured by the Federal Housing Administration open to all qualified home purchasers. While there are limits to the size of FHA loans ($155,250 as of 1/1/96), they are generous enough to handle moderately priced homes almost anywhere in the country.

FHA mortgage insurance – Requires a fee (up to 2.25 percent of the loan amount) paid at closing to insure the loan with FHA. In addition, FHA mortgage insurance requires an annual fee of up to 0.05 percent of the current loan amount, paid in monthly installments.

FHLMC – Federal Home Loan Mortgage Corporation.

Financing Costs – The cost of interest and other charges involved in borrowing money to build or purchase real estate.

Fire Insurance – Insurance against loss or damage by fire, which may also include other coverage.

Firm Commitment – A promise by FHA to insure a mortgage loan for a specified property and borrower. A promise from a lender to make a mortgage loan.

First Lien – Debt recorded first against a property.

First Mortgage – Mortgage that has priority as a lien over all other mortgages. In cases of foreclosures, the first mortgage must be satisfied before other mortgages are paid off.

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 (FRM) – A mortgage loan with an interest rate fixed for the life of the loan.

Fixture – An attached part of the property.

Flat Rental – A lease under which rents stays the same during the lease period.

Floating Rate – An interest rate that is adjusted periodically by adding a certain percentage to a pre-determined index.

FNMA – Federal National Mortgage Association.

For Sale by Owner (FSBO) – A property being marketed by its owner without the help of a real estate broker.

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 – A legal process by which the lender or the seller forces a sale of a mortgaged property because the borrower has not met the terms of the mortgage. Also known as a repossession of property.

Forfeiture – Cashing the deposit upon failure to perform under a contract.

Fraud – Deception intended to cause a person to give up property or a lawful right.

Freddie Mac – Federal Home Loan Mortgage Corporation (FHLMC) that insures loans by the full faith and credit of the U.S. government.

Front End Zero – Including the upfront of first year's insurance premium in the loan.

Frontage – The linear measurement along the front of a parcel, that is, the portion facing a street, waterway, walkway, etc. that would be considered the most valuable measurement of the property.

Fully Amortized Loan – A loan of equal, regular payments, which cause the principal and interest to be completely paid by the due date.

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

Functional Obsolescence – Old-fashioned design or layout of a real estate property that reduces the value.

G

GEM – Growing Equity Mortgage.

Gift Letter – A letter or 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.

Ginnie Mae – Government National Mortgage Association (GNMA) that guarantees, buys, and sells homes.

Good Faith Estimate – Provides a breakdown of the estimated closing charges. Something done with good intentions, without knowledge of fraudulent circumstances or reason to inquire further.

Good Faith Estimate – The lender is required by law to give you an estimate of fees that you will be asked to pay at closing.

Good Repair – A borrower has an obligation to maintain the condition of mortgaged property.

Government National Mortgage Association – A government corporation 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 – Graduated-Payment Mortgage.

Grace Period – A period between the due and the overdue date during which no late payment penalty applies.

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.

Graduated-Payment Mortgage (GPM) – 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.

Grant – A term used in deeds of conveyance of land to indicate a transfer.

Grant Deed – Also sometimes called a "Warranty Deed". One of many types of instruments used to transfer real property. Contains warranties against prior conveyances or encumbrances.

Grantee – The party to whom the title to real property is conveyed.

Grantor – The person who conveys real estate by deed; the seller.

Guarantee – The DVA guarantees repayment of a DVA loan to the private lender who made it.

Gross Income – Total income before any expenses or taxes are deducted.

Gross Income Multiplier (GIM) – Dividing the sale price by the gross rent to verify appraised value of the real estate property.

Gross Lease – Landlord pays all property charges.

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.

Guarantee – Any person receiving (such as buyer) any interest in real estate.

Guarantor – Person giving (such as seller) any interest in real estate.

Guaranty – A promise by one party to pay a debt or perform an obligation contracted by another if the original party fails to pay or perform according to a contract.

H

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.

Hearing – A proceeding before a court.

Highest and Best Use – The use of property, which will result in its highest value. In an appraisal this cannot be merely theoretical but must be realistic in that the use must be legal (proper zoning, etc.), physically achievable and financially feasible.

Home Improvement Loan – In general, it is a short-term loan extended against the signature.

Home Warranty Insurance – Private insurance insuring the buyer against defects (usually in air conditioning, plumbing, heating and electrical) in the home he has purchased. The period of insurance varies and both new and re-sale home may be insured.

Homeowner's Association – An association of people who owns homes in a given area, usually formed by the builder, for the purpose of maintaining or improving the quality of the area. Required by statue in some states for Condominiums, Townhouses and Planned Unit Developments and the builder's as well as the duties of the association are controlled by statute.

Homeowner's Warranty – Insurance policy protecting new owner against any defects in the property subject to sale.

Homestead – Land owned and occupied as the family home to give the owner some protection against judgment up to a certain amount.

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.

Holder in Due Course – A legal doctrine that holds that a person or entity that obtains a note without notice of any borrower defenses to its enforcement may enforce payment of that note in a court despite any borrower or other reason for not paying.

Housing and Urban Development (HUD) – The federal department responsible for the major housing programs in the United States, such as F.H.A.

Housing Expenses-to-Income Ratio – The ratio, expressed as a percentage, which results when a borrower's housing expenses are divided by his/her gross monthly income. See debt-to-income ratio.

HUD – U.S. Department of Housing and Urban Development.

HVAC – Heating, ventilation, and air-conditioning.

Hypothecate – Pledge a property as a security for a loan without giving up possession.

I

Impound – Same as escrow.

Impound – That portion of a borrower's monthly payments held by the lender or servicer to pay for taxes, hazard insurance, mortgage insurance, lease payments, and other items as they become due. Also known as reserves. Also referred to as escrow.

Impound Account – A trust type account held by a lender for payment of taxes, insurance premiums, mortgage insurance premiums or other periodic debts against real property in order to protect their interests. Funding the impound account is done at loan closing and accumulation included in the monthly mortgage payments.

Improvements – Any permanent structures on 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 the U.S. Treasury securities. Treasury securities have become popular as indexes because they are easy to monitor and reflect economic conditions accurately

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 bank, savings and loan or other businesses, which makes loans to the public in the ordinary course of business.

Installment – Parts of the same debt, payable at successive periods as agreed; payments made to reduce a mortgage.

Instrument – Any writing having legal form and significance, such as a deed, mortgage, will, lease, etc.

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 Averaging – The interest rate that is the average of all interest rates of loans on multiple properties.

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.

Interest Rate Cap – The maximum interest rate increase of an Adjustable Rate Mortgage.

Interest-Only Mortgage – A mortgage in which the borrower makes monthly payments of interest only for a specified period of time.

Interim Financing – A construction loan made during completion of a building or a project. A permanent loan usually replaces this loan after completion.

Internal Rate of Return (IRR) – A discount rate that gives a zero net present value.

Investor – A money source for a lender.

Involuntary Lien – A lien imposed against property without consent of the owner, e.g., taxes, special assessments.

J

Jeopardy – To have one's property or liberty subjected to a possibly adverse decree of a court or agency.

Joint Note – A promise to pay, executed by two or more persons, each having equal liability.

Joint Tenancy – An undivided interest in property, taken by two or more joint tenants. The interests must be equal, accruing under the same conveyance and beginning at the same time. Upon the death of a joint tenant, the interest passes to the surviving joint tenant(s), rather than heirs of the deceased.

Judgment – The final decision of a court of law with competent jurisdiction. Money judgments, when recorded, become a lien on the real property of the defendant.

Judgment Lien – An involuntary lien against the property of the debtor.

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 – A loan, which is larger (more than $214,600 as of 1/1/97) than the limits set by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. Because jumbo loans cannot be funded by these two agencies, they usually carry a higher interest rate.

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.

Junior Mortgage – A mortgage second or subsequent in lien to a previous mortgage.

K

L

Land – A general term, which includes the ground and those things of a permanent nature such as, trees, crops, oil, and minerals in the ground unless specifically exempted.

Land Contract – A contract ordinarily used when property sold with a small down payment and the seller does not wish to convey title until all of a certain part of the purchase price is paid by the buyer.

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.

Late Payments – Payments that are made past their due dates according to the loan documents.

Lease – A contract between an owner of real property (lessor) and a tenant (lessee) setting forth conditions upon which the tenant may occupy and use the property and the term of occupancy.

Lease Option – Leasing a property with an option to buy it within a certain period of time.

Legal Description – A method of geographically identifying a parcel of land, which can be definitely located by reference to government surveys or approved, recorded maps and is acceptable in a court of law.

Lender – Any person or entity advancing funds, which are to be repaid. A general term encompassing all mortgages and beneficiaries under deeds of trust.

Lender Approval – A lender's agreement to allow an assumption after its review of a borrower's creditworthiness and income. Lender approval can also apply to as initial loan.

Lender Liability – The legal doctrine that holds lenders legally responsible to pay damages for legal misdeeds committed against borrowers in the course of making loans.

Leniency Clause – A provision allowing the lender to adjust loan repayments temporarily to accommodate a borrower experiencing financial problems.

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.

Letter of Intent (LOI) – The letter written by a potential buyer who is willing to sign a contract to buy a real estate property by depositing an amount.

Liability – The obligation to pay a debt.

Liability Insurance – An insurance policy issued for homeowners against lawsuits for risk incurred by others on the property and for contractors to protect the homeowners against lawsuits that may be brought by workers hired by the contractors.

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 that holds a legal claim over the specific property of another as security for debt.

Lien Waiver – Removal of any obligations on a homeowner to pay off debts.

Life Estate – The conveyance of title to property of the duration of the life on the grantee.

Life Tenant – The holder of a life estate.

Liquidating Plan – A plan by which a borrower repays missed payments to the lender over time.

Liquidation Appraisal – An estimate of the value of property when it is sold quickly in a forced sale. Usually, this figure is lower than fair market value for a regularly conducted sale.

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

Lis Pendens – Pending lawsuit.

Listing – An agreement between an owner of real property and a real estate agent, whereby the agent agrees to secure a buyer or tenant for specific property at a certain price terms in return for a fee or commission.

Live Signature – Also called "WET SIGNATURE" – an actual genuine signature as opposed to a Photostat or faxed copy.

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

Loan Application – The form used to obtain the borrower's information and define the terms of the loan for which they are applying in a uniform manner. It gives the name(s) of the borrower, place of employment, salary, bank accounts, credit references, assets, etc. It is the source of information on which the lender makes his decision on whether or not to approve the loan.

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

Loan Balance Cap – Only applicable to adjustable-rate mortgages (ARM's) with deferred interest or negative amortization (see Deferred Interest). Because the loan balance may increase with ARM's, 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 pay off 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 Modification – Any change in the terms of the loan, any change in the property on any change in borrower’s liability for the loan.

Loan Officer – A person paid commissions to find and sign up borrowers for loans.

Loan Origination Fee – A one time set up fee charged by the lender.

Loan Package – The complete file of all items necessary for the lender to decide to approve, or disapprove, the loan. These items would include the information on the prospective borrower (loan application, credit report, financial statement, pay stubs, employment letters, etc. (and information on the property (appraisal, sales contract, survey, etc.).

Loan Pool – A group of mortgages in which investors own shares.

Loan Processor – The person who gathers and prepares the paperwork used by a lender to decide whether or not a loan should be made.

Loan Prospector – Automated underwriting by Freddie Mac.

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, and 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 (LTV) – 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 – The interest rate and points, if there is any, guaranteed by the lender for a specified period of time.

Loss Payable Clause – A clause in Hazard Insurance policy listing the priority of claims in the even of loss of the property insured.

Lot and Block System – A legal definition of a land by using references to blocks and lot numbers.

Lot Book Report – A report made by a title company that identifies encumbrances recorded against a particular property. A lot book report does not identify liens recorded in the name of the owner that may affect property.

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 – Loan to Value and Loan-to-Value Ratio.

M

M.A.I. (Member Appraisal Institute) – A designation given through experience, education and examination indicating the appraiser is a member of the American Institute of Real Estate Appraisers.

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 – Appraising the value of a property by comparing the sales price of similar properties recently sold in the area. The degree of similarity of the properties, distance from the subject property and terms of the sale are important considerations. One of the three methods used in the appraisal process and usually the most reliable on residential properties.

Market Price – The price a property brings in a given market regardless of pressures, motives or intelligences.

Market Value – An estimate of the probable 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.

Marketable Title – A title that the court considers to be so free from defect that it will enforce its acceptance by a purchaser.

Maturity – Due date of a debt or loan.

Mechanic's or Materialmen's Lien – Lien created by statute on property by suppliers of labor or material.

Mediation – Reconciling differences by a mutually selected third party.

Metes and Bounds – A term used in describing land by setting forth all the boundary lines together with their uncompensated improvement.

MIP (Mortgage Insurance Premium) – It is insurance from FHA to the lender against incurring a loss on account of the borrowers default.

Misrepresentation – A statement or conduct by a person, which represents to another a fact, which is not true. Failure to disclose is also misrepresentation.

Moratorium – Temporary suspension of debt repayment.

Mortgage – Use of real estate as security for the payment of a debt.

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 the lender to disburse a mortgage loan at a future date if specified terms and conditions are satisfied.

Mortgage Company – One who, for a fee, brings together a borrower and lender and handles the necessary applications and paperwork for the borrower to obtain the loan against real property. As defined by Nevada Statuses, on handles institutional investor loan products.

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. Private companies, such as MGIC, offer this insurance. The federal government writes this form of insurance through the Federal Housing Administration (FHA).

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

Mortgage Insurance – Insurance written to protect the mortgage lender against loss due to default, thus enabling the lender to lend a higher percentage of the sales price.

Mortgage Instrument – The legal paperwork to create a mortgage.

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 Lien – The right of a mortgage lender to force sale of the mortgaged property if the borrower fails to repay the loan as agreed.

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 Reduction Certificate – An instrument executed by the mortgagee, setting forth the status of and the balance due on the mortgage as of the date of the execution of the instrument.

Mortgagee – The holder of a mortgage loan.

Mortgagees Title Policy – A title insurance policy that will pay off the lender's loss if the title to the mortgaged property fails.

Mortgagor – The party who borrows the money and gives the mortgage.

Motion to Lift Stay – A formal request to a bankruptcy court to dissolve an automatic stay that prevents a lender from foreclosing. Once the motion is granted, the lender may proceed to foreclose unless the borrower can keep up the payments.

Multifamily Residential Property – A residential property having more than four units.

Multiple Dwelling – Multi-unit apartment complex.

Multiple Listing Service (MLS) – An online database of properties listed for sale.

N

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. Potential negative amortization – a) 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.

Negative Equity – A position in which a borrower owes more on a property than the property is worth.

Net Effective Income – the borrowers gross income minus federal income tax.

Net Lease – A commercial tenant pays the rent and also the operating costs, including real estate taxes, insurance, utilities, HVAC, etc.

Net Worth – The amount of assets that exceeds liabilities.

New Basis – The adjusted cost basis by taking into account your old property when you transfer to a new property.

Nominal Interest Rate – The rates written in the loan agreement.

Non-Assumption Clause – A statement in a mortgage contract forbidding the assumption of the mortgage without the prior approval of the lender. Note – The signed obligation to pay a debt, as a mortgage note.

Nonconforming – A loan that does not conform to the guidelines set forth by Fannie Mae or Freddie Mac.

Nonjudicial Foreclosure – The right to sell a property without a court decree as allowed in some states.

Nonowner-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.

Nonrecurring Closing Cost – The one-time costs obtaining the loan (i.e. – title policy, appraisal, recording, etc.), which are not recurring

Notary Public – A person authorized to take acknowledgment to certain classes of documents, such as deeds, contracts, mortgages, and before whom affidavits, may be sworn.

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.

Notice of Rescission – A document that is used to cancel a notice of default and declare that the default has been corrected.

O

Offer – A presentation proposal for acceptance, in order to form a contract. To be legally binding, an offer must be definite as to price and terms.

Offer and Acceptance – Necessary elements to form a contract

Office of Thrift Supervision – The regulatory and supervisory agency for federally chartered savings institutions. Formally known as Federal Home Loan Bank Board.

One Action Rule – A rule of law, used heavily in California, that forces a lender to bring only one court action or proceeding against a borrower in a foreclosure. The one action makes it difficult for a lender to obtain deficiency judgment against a borrower.

Open Listing – Selling a property through multiple brokers with no exclusive right to list and sell the real estate property.

Open Mortgage – A mortgage that has matured or is overdue and, therefore, is “open” to foreclosure at any time.

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 Cost – The purchase price of a property paid by the present owner.

Origination – Creation of a loan.

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.

Over Improvement – An improvement, excessive in cost, size or type in relation to land value or value of surrounding properties and for which one could not reasonably expect to receive a compensating return.

Owner-Occupied Property – The borrower lives in the property as a primary residence.

P

PAR Value – the values of the mortgage without discounts or buy down.

Parcel identification number (PIN) – A unique number identifying a specific property on

a tax assessment map without confusing legal descriptions.

Partial Payments – Payments that are less that the full payment.

Payback Period – The number of years to recover an investment.

Performance Bond – A bond used to guarantee the specific completion of an endeavor in accordance with a contract.

Permanent Loan – A long-term mortgage, usually ten years or more. Also called an "end loan"

Personal Property – Any property, which is not designated, by law, as real property. Separation of appliances, carpeting, etc. from an investment property to benefit from shorter depreciation period.

Petition – Formal written request to court or a public agency to do something.

Physical Depreciation – Loss in value caused by wear and tear, disintegration, use and action of the elements or lack of maintenance. When economically feasible to correct, it is called “curable”; when not “incurable”.

PI (Principal and Interest) – Used to indicate that only principal and interest are included in a quoted monthly payment on real property.

PITI – Principal, Interest, Taxes and 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.)

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 owner owns the individual unit and often the real estate under it. The common facilities are owned and maintained by a homeowners’ association.

Plat Book – A public record containing maps of land showing the division into streets, blocks, and lots and indicating the measurements of the individual parcels.

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.

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.

Positive Equity – The situation in which a house has a value in excess of what is due on the mortgage.

Posting – The act of placing a legal notice, such as a notice specifying the date, time and place of a foreclosure sale, on public display in the proper place for such notices.

Power of Attorney – A legal document authorizing one person to act on behalf of another.

Power of Sale Clause – The clause in a deed of trust or mortgage, by which the borrower pre-authorizes the sale of a house to pay off the balance on a loan in the event of the borrower's default. Usually a trustee conducts the sale, although in some states the sheriff or constable does this.

Preliminary Title Report – A report showing the condition of title before a sale or loan transaction. After completion of the transaction, a title policy is issued.

Prepaid Expenses – Necessary to create an escrow account or to adjust the seller's existing escrow account. Can include taxes, hazard insurance, private mortgage insurance and special assessments. The expenses paid in advance are prorated and credited to the seller at closing.

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 Clause – A clause in a mortgage that gives a mortgagor the privilege of paying the mortgage indebtedness before it becomes due.

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

Primary Mortgage Market – Lenders making mortgage loans directly to borrowers such as savings and loan associations, commercial banks, and mortgage companies. These lenders sometimes sell their mortgages into the secondary mortgage markets such as to FNMA or GNMA, etc.

Prime Rate – Best interest rate applied by banks to their favorite customers.

Primary Lender – The lender that deals directly with the borrower.

Principal – (1) The person giving authority to an agent. (2) The amount of debt, not including interest. The face value of a note, deed of trust, etc.

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.

Private Mortgage Insurance (PMI) – In the event that you do not have a 20 percent down payment, lenders will allow a smaller down payment – as low as 5 percent in some cases. With the smaller down payment loans, however, borrowers are usually required to carry private mortgage insurance. Private mortgage insurance will usually require an initial premium payment and may require an additional monthly fee depending on your loan's structure.

PMI-Assisted Presale – An arrangement in which a private mortgage insurance company pays for part of the loss that occurs when a house with negative equity is sold by regular means prior to a foreclosure.

Pro Rate – To divide in proportionate shares, such as taxes, insurance premiums, etc. between buyer and seller to time of use or the date of closing.

Probate – Legal action where court determines who will inherit the property of a decedent, and what assets he/she had.

Profit and Loss Statement – A statement showing the income and loss of a business over a stated time, the difference being the profit or loss for the period.

Promissory Note – (Also called, simply, "Note") A promise in writing, and executed by the maker, to pay a specified amount during a limited time, or an demand, or at sight, to a named person, or on order or to bearer. Established personal liability for repayment of the debt.

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.

Property Tax – Generally, a tax levied on both real and personal property, the amount of the tax is determined by the assessed value of the property.

Prorations – Allocation of closing costs and credits to buyers and sellers.

Purchase Money Mortgage – A mortgage given by a grantee in part payment of the purchase price of real estate.

Q

Qualifying – The process a lender undertakes prior to agreeing to make a loan, which consists of evaluating a buyer's income and credit and the property's physical condition, and comparing the figures with the lender's guidelines. If the guidelines are met or exceeded, then the lender will approve a mortgage 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 all debt (for example, car, credit card and proposed mortgage payments) to the monthly income debt.

Quiet Title Suit – A suit in court to ascertain the legal rights of an owner to a certain parcel of real property.

Quitclaim deed – A deed operating as a release; intended to pass any title, interest or claim, which the grantor may have in the property, but not containing any warranty of a valid interest or title in the grantor.

R

R Value – A measurement of resistance of insulation material to temperature.

R.E.S.P.A (Real Estate Settlement Procedures Act) – A federal statute effective June 20, 1975, requiring disclosures of certain costs in the sale of residential (one to four family) improved property.

Range – A division of land in the government survey, being a six-mile wide row of townships, running North and South, and used in legal descriptions.

Rate Index – An index used to adjust the interest rate of an Adjustable Rate Mortgage.

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

Ratification – Signing of agreement by both parties.

Real Estate – (1) Land and anything permanently affixed to the land, such as buildings, fences and those things attached to the buildings, such as light fixtures, plumbing and air conditioners, or other such items, which would be personal property if not attached. (2) May refer to rights in real property at well as the property itself.

Real Estate Board – A board composed of regular members (licensed real estate brokers, sales agents) and affiliated members (lenders, title companies, appraisers, etc.) for the purpose of self-governing and furthering the real estate business in a given area.

Real Estate Owned (REO) – Most commonly refers to property owned by a lender from foreclosure. This property is usually up for sale.

Real Estate Settlement Procedures Act – Federal legislation designed to help homebuyers 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 broker or an associate holding active membership in a local real estate board affiliated with the National Association of Realtors.

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.

Receivership – After a bank is taken over by FDIC, it may be placed in receivership to liquidate assets. The real estate is turned over to the RTC or the FDIC's liquidation division. Existing contracts with the institution in receivership are voidable at the option of the FDIC.

Recision – The cancellation of a contract. With respect to mortgage refinancing, the law that gives the homeowner three days to cancel a contract in some cases once it is signed if the transaction uses equity in the home as security.

Recording – The act of writing or entering in a book of public record instruments affecting the title to real property.

Recording Fees – Money paid to the lender for recording a home sale with the local authorities, thereby making it part of the public records.

Recourse – The right to claim against a prior owner of a property or note.

Redemption – Right of defaulted previous owner to re-own his/her property by curing the default.

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.

"Red Lining" – The outlining of a map of certain "high risk" areas of exclusion for real estate loan purposes. Lenders would not extend loans in these areas, regardless of the qualifications of the applicant. This practice is highly illegal.

Refinance – Paying off a loan by obtaining a new loan.

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

Rehabilitation – Restoring a property to satisfactory condition without drastically changing its plan, form or style or architecture.

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.

Release Clause – A clause included in a blanket mortgage that gives the owner the privilege of paying off part of the debt, and thus freeing part of the property from the mortgage.

Release of Liability – The document that relieves a person who is obligated to pay a loan of any further obligations. It may be obtained when a buyer takes over on the seller's old loan, provided the buyer meets the lender's standards for income and creditworthiness. If granted, the release of liability means the seller will not be responsible if the buyer fails to pay.

Relief – Various types of loans, depending on their insurers (FHA, PMI companies, etc.) or their owners (FNMA, FHLMC), will offer various types of special payment plans of other assistance for borrowers who have missed payments. If it appears that the borrower can bring the loan current, the lender can allow a period of reduced payments with the difference made up at a later time during the loan. The lender could also assist with an early sale.

Remaining Economic Life – Number of years between the time of an appraisal and the point of time when an improvement becomes economically valueless.

Removal – The process of transferring a case from state court to federal court.

REO – Real Estate Owned. A real estate owned by the lender through foreclosure.

Repayment Plan – A plan for repaying missed payments over time.

Replacement Cost – The current cost to construct an exact duplicate of the subject property having the same utility, design, layout and quality of workmanship, but using modern materials.

Request for Notice of Default – A document that under statutory provisions, allows certain parties to request and be entitled to notification of a default.

Reserves – Funds set aside to meet future repairs and expenses for the property.

Resolution Trust Corporation (RTC) – A government-chartered corporation whose primary function is to manage and liquidate the assets of S&Ls that have lost too much money and been taken over and shut down by the FDIC.

RESPA – Real Estate Settlement Procedures Act.

Restriction – Used, relating to real property, to describe uses prohibited to the owner.

Reverse Annuity Mortgage – A form of mortgage in which the lender makes periodic payments to the borrower using the borrower's equity in the home as Satisfaction of Mortgage – The document issued by the mortgagee when the mortgage loan is paid in full. Also known as " Release of Mortgage"

Right of First Refusal – The right given to a party to buy a property on priority basis.

Right of Redemption – The right granted, in some states, to the owner to recover property sold after a foreclosure within a certain period of time after the foreclosure sale.

Right of Rescission – The right to back out of a contract.

Right of Survivorship – Right of the surviving joint owner to succeed to the interests of the deceased joint owner. This right is a distinguishing feature of a joint tenancy or tenancy by the entirety.

Right of Way – An easement either by grant, by fee, by condemnation or by agreement giving another the right to pass over a strip of land set aside to construct a roadway, or to use as a roadway or the right to construct through and over the land, telephone or electric power lines or the right to place underground water mains, gas mains or sewer mains.

S

S&L – Savings and Loan Association

Sales Agreement/Sales Contract – Also called "Offer and Acceptance" or "O&A". A contract whereby seller and buyer agree to the terms of the sale of real property.

Satisfaction Piece – The receipt for a mortgage that has been paid off.

Savings and Loan Association – A financial institution that makes loans.

Scire Facias – A court command to a borrower to show up at a hearing and show cause why a foreclosure should not be authorized.

Second Mortgage – A mortgage made subsequent to another mortgage and subordinate to the first one.

Secondary Financing – A loan secured by a mortgage or trust deed, which lien is junior (secondary) to another mortgage or trust deed.

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.

Self-Liquidating Loan – A loan with decreasing interest portion and increasing principal repayments.

Separate Property – Property owned by a husband or wife in which the other has no legal ownership interest.

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 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 lender's servicing department continues to service the loan after the sale to a secondary institution or investor.

Settlement Statement – A statement prepared by broker, escrow or lender giving a complete breakdown or costs and disbursements involved in a real estate sale.

Shared Appreciation Mortgage – A mortgage in which a borrower receives a below-market interest rate in return for which the lender (or another investor such as a family member or other partner) receives a portion of the future appreciation in the value of the property. May also apply to mortgage where the borrowers share the monthly principal and interest payments with another party in exchange for part of the appreciation.

Sheriff's Deed – A deed issued by a court authorizing the Sheriff's office to conduct the sale in satisfaction of a judgment.

Short Payoff – A workout procedure in which the lender accepts less than the full balance on the loan as part of a deal in which the borrower cooperates with the lender to obtain a quick sale. The lender skips foreclosure, which would take time, cost money and expose the house to vandalism, further declines in market value, and marketing costs for resale.

Simple Assumption – An assumption arrangement in which the seller conveys title to the property to the buyer and moves out while the buyer moves in and makes payments on the old loan. The lender does not approve the buyer's credit and income so the deal may be called a no approval loan. The seller remains liable on the old loan under such circumstances.

Simple Interest – Interest, which is computed only on the principal balance.

Single Family Residence – A general term originally used to distinguish a house designed for use by one family from an apartment house. More recently, used to distinguish a house with no common area from a planned development or condominium.

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 charge imposed on a property by the government to recover the cost of improvements (sewerage systems, pavements, etc.) in the area where the property is located.

Special Assessment – Lien assessed against real property by a public authority to pay costs of public improvements (sewerage systems, pavements, etc.), which directly benefit the assessed property.

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.

Statute of Fraud – Laws stating that all real estate-related contracts must be in writing and properly signed to have a legal effect.

Statute of Limitations – Period of time during which certain actions must be brought to court.

Strict Foreclosure – A legal premise followed by some states that the lender owns the property and may simply evict the borrower for nonpayment and gain full and complete title free of the borrower's claims by waiting a prescribed period of time until the borrower's right to redeem ends. The lender gains the value of the land above what is owned on the loan.

Subcontractor – A contractor hired by another contractor.

Subdivision – A tract of land divided into lots or plots.

Subject to Clause – A clause in a deed that transfers title from a seller to a buyer in an assumption transaction, or in other paperwork for the assumption transaction, in which the borrower refuses to accept legal liability to make payments, although the buyer expects to do so. The lender's remedy for nonpayment is limited to foreclosure, and neither the lender nor the seller can sue the defaulting buyer for missed payments on the loan balance.

Sublease – Leasing the property fully or partially to another party.

Subordinate Clause – A clause in a mortgage that gives priority to a mortgage taken out at a later date.

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

Subordinate Loan – A second mortgage subordinated to a first mortgage.

Subrogation for Mortgage Insurers – The right of a mortgage insurance company to file a suit from the borrowers sums it must pay out to a lender as a result of the borrower's default on a loan.

Summary Judgment – A legal procedure in which one side wins a lawsuit without a trial by showing that the case involves no material fact issues, but only legal issues that can be decided by the judge. If the judge agrees, then one side wins by Summary Judgment.

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 – Equity created by a purchaser performing work on a property being purchased.

T

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

Tax rate – The ratio of dollars of tax per hundred dollars of assessed valuation expressed as a percentage of valuation.

Tax Sale – Sale of property after a period of nonpayment of taxes.

Tax-Deferred Exchange – Exchanging real estate properties to defer payment (sometimes indefinitely) capital gains tax (IRS Tax Code 1031).

Temporary Injunction – A court order that freezes the status quo for an extended time period, typically until a full court trial on the merits of a case can be held. It often requires posting a bond, although many states' laws waive the bond requirement in cases involving the foreclosure of a home.

Temporary Restraining Order – A court command that freezes the status quo for a short period of time until other legal relief is awarded or a settlement between the litigants can be reached.

Tenancy at Will – A license to use or occupy lands and tenements at the will of the owner.

Tenancy by the Entirety – The joint ownership by husband and wife where surviving spouse becomes the sole owner.

Tenancy in Common – An undivided ownership in real estate by two or more persons. The interests need not be equal, and, in the event of the death of one of the owners, no right of survivorship exists with the other owners.

Tenant – Person renting or leasing the property.

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.

Time of the Essence – Automatic termination of an agreement or a contract after a pre-determined date.

Title – A document that gives evidence of an individual's ownership of property.

Title Defect – Unresolved claim against the ownership of property that prevents presentation of a marketable title. Such claims may arise from failure of the owner's spouse, of former part owner, to sign a deed, current liens against the property, or an interruption in the title's records of a property.

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 Report – Document indicating the current state of the title, such as easements, covenants, liens, and any other defects. The title report does not describe the chain of title.

Title Search – An examination of municipal records to determine the legal ownership of property. Usually is performed by a title company.

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

Transfer – The act by which the title to property is conveyed from one person to another.

Trust Account – A separate account kept by a third party (real estate broker, attorney, or a settlement agency) to disburse expenses upon closing.

Trust Deed – An instrument used in place of a mortgage.

Trustee – (1) one who is appointed, or required by law, to execute a trust. (2) One who holds title to real property under the terms of a deed of trust.

Trustee' Deed Upon Sale – a written document which is prepared and signed by the trustee when the secured property is sold at a trustee's sale. This document transfers successful bidder at the sale; must be recorded with the county recorder in the county in which the property is located.

Trustee's Sale – the public auction of the real property, described in the deed of trust, to satisfy the unpaid obligation.

Trustee's Sale Guaranty Policy – a policy of title insurance given to the present trustee when a trustee's sale proceeding has been initiated. This policy provides the names of the current owner, all liens and encumbrances recorded and other information pertinent to the foreclosure process. The information is insured to be correct by the title company.

Trustee's Sale Proceeding (foreclosure) – the term used to describe the non-judicial procedure followed by the trustee in enforcing a creditor's rights when a debt secured on real property is in default.

Trustor – The borrower under a deed of trust. One who deeds his property to a trustee as security for the repayment of a loan.

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

Turnover Order – A court command to a debtor to give title to certain assets to a creditor.

Two-Step Mortgage – A mortgage in which the borrower receives a below-market interest rate for a specified number of years (most often 7 or 10), and then receives a new interest rate adjusted (within certain limits) to market conditions at that time. The lender sometimes has the option to call the loan due with 30 days notice at the end of 7 or 10 years. Also called "Super Seven" or "Premier" mortgage.

U

Underimprovement – An improvement, which is deficient in size or quality in relation to the site on which it is built.

Underwriter – Another party approving a loan. FHA underwrites a loan extended by a lender. D.E. Underwriter is a direct endorsement underwriter that is pre-approved by the underwriter.

Underwriting – The analysis by a lender to determine the borrower's ability, capability and willingness to repay a proposed loan, the proper structuring of said loan and that the collateral value is there.

Undivided Interest – Ownership of real estates by joint tenants or tenants in common under the same title.

Undue Influence – Taking any fraudulent or unfair advantage of another's weakness of mind, distress or necessity so that his discretion is not his free act.

Unlawful Detainer Action – Eviction of a tenant maintaining illegal possession of the real estate property.

Upside Down Home – A house that is worth less than what is owed on the mortgage it secures.

Urban – Pertaining to a city or town, closely settled property.

Useful Life – In appraisal for purposes, the true economic value of the building in terms of years of use to the owner.

Usury – Charging a rate, or amount, of interest that is greater than permitted by law.

V

Vacancy Allowance – A deduction made from future gross rental revenues for loss of income that may occur due to vacancies.

Valuation – The estimating of value. Appraisal.

Value – (1) The usefulness of an object. (2) The monetary worth of an object. (3) In real estate lending, the lesser of the sale price or appraised value of property.

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."

Vendee – Buyer

Vendees Lien – A lien against property under contract of sale to secure a deposit paid by a purchaser.

Vendor – Seller

Verification – Confirmation of truth, correctness or authenticity.

Verification of Deposit – A form sent to an employer by a lender to verify that a borrower has a certain sum on deposit.

Verification of Employment – A form sent to an employer by a lender to verify that a borrower is employed at a certain salary.

Vested – Ownership rights, even though on a land contract are subject to a mortgage or deed of trust.

Veterans Administration (VA) – Federal agency handling VA guarantee programs.

W

Wage Earner Plan – A nickname for Chapter 13 bankruptcy.

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

Warranty Deed – A deed used to convey fee title to real property, which contains warranties to clear title.

Without Recourse – Words used in endorsing a note or a bill to denote that the future holder is not to look to the endorser in case of nonpayment.

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

Workout – The process by which a borrower comes to a mutually acceptable financial arrangement with a lender in order to avoid an impending foreclosure.

Wraparound Mortgage – A mortgage covering all current mortgages under one large loan, also called inclusive deed of trust.

Writ of Execution – A court order authorizing the holder to seize and sell a debtor's property to pay off a judgment.

Writ of Garnishment – A court order commanding a person who holds assets for another person, such as a banker who holds funds on deposit, an employer who holds a paycheck or a stock broker who holds an account for an investor, to give those assets up to a creditor.

Writ of Possession – A court document that authorizes a constable or other officer of the law to break down a tenant's door, drag the tenant from the premises and throw the tenant's belongings out of the house or apartment.

Wrongful Foreclosure – A foreclosure that was legally improper and that caused a borrower to suffer damages.

X

Y

Yield – The total revenue from a property expressed in an annual percentage.

Z

Zone – The division of a city or county by legislative regulations into areas (zones), specifying the uses allowable for the real property in these areas.

Zoning ordinance – Regulating the use of property by public agency.