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Adjustable Rate Mortgage (ARM)	A loan program where the interest rate is adjusted up or down periodically based on a pre-selected index, such as Treasury Bill Rates. These rate adjustments therefore affect your monthly mortgage payment, causing the payment to go up or down. Interest rate caps limit the amount your interest rate can be adjusted, including a periodic cap (7-Year, 5-Year, 1-Year, etc.) and an overall lifetime cap (example: the interest rate cannot increase no more than 6% above the initial starting interest rate of 7%).
Adjustment Period	For an Adjustable Rate Mortgage, the scheduled periodic interest rate adjustments that occur that affect your monthly mortgage payment. Typical adjustment periods include: 1-Year, 3-Year or 5-Years depending upon the mortgage loan program selected.
Amortization	The gradual repayment of a loan in monthly installments comprised of both principal and interest components. Generally, for the first few years of the loan repayment schedule, the monthly payment is primarily comprised of interest. Gradually, the monthly principal portion of the loan payment will increase; therefore decreasing the interest portion of the payment in an equal amount.
Amortization Schedule	A timetable that shows the breakdown of the principal and interest components of each month's mortgage payment throughout the life of the loan, as well as the remaining principal balance after each payment is made.
Annual Percentage Rate (APR)	The cost of credit expressed as a yearly rate. The APR is often higher than the actual interest rate. This is because the percentage reflects the interest rate, points, origination fees, and mortgage insurance.
Application	Solicitation of a loan by a borrower through the provision of a written request that includes information about the borrower, property, and the requested loan.
Application Fee	Fees charged by the lender to cover the initial costs of processing a loan, usually the expenses incurred for the order of Credit Reports and Property Appraisal. In addition, the application fee may also include a rate lock fee.
Appraisal	A written estimate provided by a certified property appraiser that verifies the current market value of the property to be mortgaged. This certified value incorporates many factors, some of which include: value/condition of comparable property types in the area which have recently sold, location of the property, real estate market activity in the area and more.
Asset	Anything of monetary value that is owned by an individual including real estate, bank accounts, stocks and other personal property.
Assignment	The transfer of property rights or ownership by one individual, assignor, to

another, the assignee.

Assumption An agreement between a buyer and seller enabling the buyer to take over payments on an existing mortgage loan. Not all mortgages can be assumed.

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Balloon Mortgage A mortgage loan that has a fixed interest rate and monthly payment amount for a specified period - generally a 7 or 10-Year program. The loan is fully-amortized for a 30-Year period with a lump.

Bankruptcy A proceeding in a Federal Court in which a debtor who owes more than his or her assets can be relieved of all or part of their debt obligations by transferring their debts to a trustee.

Blanket Mortgage A mortgage that involves more than one parcel of real estate.

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Cash Due at Closing The total dollar amount of funds required by the borrower(s) at the time of loan settlement.

Cash-Out Refinance A refinance transaction in which the borrower's loan amount is greater than the principal mortgage loan that is being refinanced to provide additional cash to the property owner.

Certificate of Title Written opinion of the status of title of a property, provided by an attorney, title company or abstract company that states the title to the real estate is legally held by the current owner.

Closing Also referred to as "settlement". A meeting that involves the lender, buyer (borrower) and/or seller to finalize the sale of a property or completion of a refinance transaction.

Closing Costs The costs incurred by the buyer (borrower) at their loan closing for the completion of a sale of property or refinance transaction. These costs can consist of points, lender fees as well as fees that must be prepaid such as real estate tax and insurance escrow payments.

Collateral Asset pledged as security to ensure payment or performance of an obligation. In bank lending, it is generally something of value owned by the borrower. If the borrower defaults, the asset pledged may be taken and sold by the lender to fulfill completion of the original contract.

Commitment Letter A formal offer made by a lender stating the terms and conditions in which they agree to lend money to a borrower for the purpose of finalizing the sale of a property or completion of a refinance transaction.

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

Conventional Loan A mortgage loan type that is not insured by the FHA or guaranteed by the VA.

Convertible ARMs A type of Adjustable Rate Mortgage loan that enables the borrower to

switch or "convert" the loan to a fixed loan type, permanently. Performed during a certain time in the life of the loan

Conveyance A document used to affect a transfer, such as a deed or mortgage.

Cost of Funds Index (COFI) An index that is used to determine interest rate changes for certain adjustable rate mortgage (ARM) loans. It represents the weighted-average cost of funds of depository institutions on the west coast (11th district) who are members of the Federal Home Loan Bank System.

Credit History A record of an individual's currently open and satisfied debts. A credit history helps a lender determine whether or not an applicant has a history of paying his/her debts in a satisfactory manner.

Credit Report A report detailing an individual's credit history prepared by a credit bureau and used by a lender in determining an applicant's creditworthiness.

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Default Failure to make payments for a debt in accordance with the agreed payment schedule required by the lender, and/or failure to meet other terms and conditions of the loan.

Delinquency Failure to make payment for a debt in accordance with the payment due date.

Discount Points An up-front fee paid to a lender at the time of loan closing to reduce the initial interest rate. One "point" equals 1% of the loan amount.

Down Payment The amount of money a buyer provides for the purpose of purchasing a property. This amount is the difference between the purchase price and the new loan amount. It is paid by the buyer before or at the time of closing.

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Equal Credit Opportunity Act (ECOA) A federal law that requires creditors to grant credit equally without discrimination based on race, color, religion, national origin, age, sex, marital status or receipt of income from public assistance programs. This law also requires creditors to provide written notification to a consumer whose loan application is not able to be approved as requested, including the specific reason(s) for the decision.

Equity The difference between the current market value of a property and the total amount of liens against the property.

Equity Line of Credit Refer to Home Equity Line of Credit (**HELOC**).

Equity Loan Refer to Home Equity Loan.

Escrow Account An account established by the lender on the borrower's behalf to collect real estate tax and insurance payments along with the borrower's base principal and interest (P & I) payment. The lender then manages the disbursement of these funds on the borrower's behalf according to the escrowed items' individual payment schedule requirements.

Estimated Market The estimated dollar value of your property if you were to sell it today.

Fair Credit Reporting Act (FCRA)	A consumer protection law that regulates the disclosure and use of consumer credit information by consumer and credit reporting agencies. Also established procedures to dispute the accuracy or completeness of any information contained in your credit report file. Any dispute that results from a decision made in whole or in part of review of your credit history requires the credit reporting agency that prepared the report to investigate free of charge and notify you of the investigation results.
Fannie Mae (FNMA)	One of two Federal agencies that purchase home loans from lenders. (The other is Freddie Mac). Both agencies finance their purchases primarily by packaging mortgages into pools, then issuing securities against the pools. The securities are guaranteed by the agencies. They also raise funds by selling notes and other liabilities. Because of their massive size, the agencies have had a major influence on the evolution of underwriting practices.
Federal Housing Administration (FHA)	An agency of the U.S. Department of Housing and Urban Development (HUD). Its main activity is the insuring of residential mortgage loans made by private lenders. The FHA sets standards for construction and loan underwriting but does not lend money, plan or construct housing.
Fee Simple	An unconditional, unlimited estate of inheritance that represents the greatest estate and most extensive interest in land possible. It is of everlasting duration.
First Mortgage	Often referred to as primary mortgage. This is the main mortgage against a property.
First time homebuyer	Generally, you would be considered a first time homebuyer if you have never owned a home, or, if you not owned a home in 3 years or more.
Fixed Rate Mortgage	A mortgage in which the interest rate does not change during the entire term of the loan.
Float	Interest rate and points that are subject to change prior to the loan closing date or the borrower electing to lock in the interest rate and points. The principal and interest (P&I) payment will continue to adjust, either up or down until the interest rate and points have been locked.
Flood Insurance	A form of hazard insurance required by lenders to cover properties that are located in federally designated flood zones.
Foreclosure	The legal process that a borrower in default under a mortgage is deprived of their interest in the mortgaged property. This usually involves a forced sale of the property at public auction with the proceeds of the sale applied to the mortgage debt.
Freddie Mac	One of two Federal agencies that purchase home loans from lenders. (The

other is Fannie Mae). Both agencies finance their purchases primarily by packaging mortgages into pools, then issuing securities against the pools. The securities are guaranteed by the agencies. They also raise funds by selling notes and other liabilities. Because of their massive size, the agencies have had a major influence on the evolution of underwriting practices.

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Gift	Money that you expect to receive as a gift that can be used in qualifying you for the loan or that you will use as part of your down payment.
Good-Faith-Estimate	A document provided by the lender to the consumer that is required by the Real Estate Settlement Procedures Act (RESPA) and the U.S. Department of Housing and Urban Development (HUD). It discloses an estimate of the settlement charges you are likely to incur at or before closing. This disclosure has estimated costs that may be different from the actual costs due at closing/settlement. The Good Faith Estimate also identifies the relationship that the lender may have with vendors that will provide settlement services for which the consumer is required to pay.
Gross Income	The total income before taxes and/or expenses is deducted.

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Hazard Insurance	Refer to Homeowners Insurance.
Home Equity Line of Credit	Also referred to as Equity Line of Credit (HELOC). This loan is a line of credit that is typically based upon the available equity of the property taking into account the first mortgage lien. A maximum credit line is usually determined, with the homeowner being able to use the funds as desired, operating much like that of a credit card.
Home Equity Loan	Also referred to as Equity Loan. A closed-end loan secured by real estate. A home equity loan typically is the second mortgage lien on a property.
Homeowners association	A non-profit association that manages the common areas of a planned unit development (PUD) or condominium project. In a condominium project, it has no ownership interest in the common elements. In a PUD project, it holds title to the common elements.
Homeowners association dues	Monthly fees associated with owning a condominium or living in a planned unit development (PUD). These fees can cover building and property maintenance, trash removal services, cost of landscaping public areas, homeowners/hazard insurance, and other fees.
Homeowners Insurance	Also referred to as Hazard Insurance. Insurance coverage that compensates the consumer for physical damage to a property from fire, wind, vandalism, or other hazards. The policy typically combines personal liability insurance and property hazard insurance coverage for a dwelling and its contents.
HUD	U.S. government agency established to implement federal housing and

community development programs; oversees the Federal Housing Administration (FHA).

HUD-1 Uniform Settlement Statement

Also referred to as the closing statement. A closing document that provides an itemized listing of the funds that are payable at settlement. Items that appear on the statement include real estate commissions, loan fees, points, and initial escrow amounts. The totals at the bottom of the HUD-1 statement define the seller's net proceeds and the buyer's net payment at settlement. The form for the statement is mandated by the Real Estate Settlement Procedures Act (RESPA) and the U.S. Department of Housing and Urban Development (HUD).

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Index

A published interest rate to which the interest rate on an Adjustable Rate Mortgage loan (ARM) is tied. Some commonly used indices include the 1 Year Treasury Bill, 6 Month LIBOR, and the 11th District Cost of Funds (COFI). A margin is generally added to the index to determine the interest rate adjustments on the ARM, subject to any applicable limits, such as rate caps on interest rate changes.

Initial Interest Rate

The original interest rate of an Adjustable Rate Mortgage (ARM) loan at the time of settlement. This rate will change according to the specific ARM loan schedule. See Adjustment Period.

Interest Rate

An annual rate charged the borrower for the use of credit.

Interest Rate Cap

A safeguard built into Adjustable Rate Mortgage (ARM) loans to prevent drastic changes in interest rates.

~ J ~

Joint Liability

Liability shared among two or more people, each of whom is liable for the full amount of the debt.

Joint Tenancy

A form of property co-ownership that gives each tenant equal undivided interest and rights in the property, including the right of survivorship.

Jumbo Loan

A mortgage larger than the maximum eligible for purchase by the two Federal agencies, Fannie Mae and Freddie Mac

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Late Charge

Penalty paid by the consumer when a payment is made after the scheduled due date, or after the grace period.

Liability

A person's debts or financial obligations. Liabilities include long-term and short-term debt.

Lien

A legal claim against a property, either voluntary or involuntary that is required to be paid no later than when the property is sold.

Lifetime Payment Cap

For an Adjustable Rate Mortgage (ARM) loan, a limit on the amount that

payments can increase or decrease over the life of the mortgage.

Lifetime Rate Cap

For an Adjustable Rate Mortgage (ARM) loan, a limit on the amount that the interest rate can increase or decrease over the life of the loan.

Loan-to-Value Ratio (LTV)

The ratio, expressed as a percentage, between the mortgage loan amount and the lesser of the estimated property value or appraised value. To calculate the LTV, the loan amount is divided by the lesser of the estimated property value or appraised value.

Lock or Lock-In

A written agreement provided by the lender that guarantees the borrower a specified interest rate and points provided the loan is closed within a specified time period.

Lock Period

The amount of time a lender will guarantee a locked loan's interest rate. Lock periods that are generally available include: 30, 45, 60 or 90 days. The loan closing/settlement must occur prior to the expiration of the lock period.

~ M ~

Manufactured Housing

Factory-built or prefabricated housing.

Margin

For an Adjustable Rate Mortgage (ARM) Loan, the amount that is added to the interest rate index to obtain the interest rate at each scheduled adjustment period.

Minimum Payments

The minimum amount that is required to be paid monthly on an account.

Mortgage

A written document evidencing the lien on a property taken by a lender as security for the repayment of a loan. The terms of the loan are contained in the note.

Mortgage Insurance

Also referred to as private mortgage insurance. Insurance provided the lender against loss on a mortgage in the event of borrower default. In most cases, the borrower pays the premiums.

Mortgagee

How the lender is referred to in a mortgage agreement.

Mortgagor

How the borrower is referred to in a mortgage agreement.

~ N ~

Net Income

The total income after taxes and/or expenses is deducted.

Note

A document that evidence a debt and a promise to repay. A mortgage loan transaction always includes both a note evidencing the debt, and a mortgage evidencing the lien on the property.

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Origination Fee

A fee charged by a lender for the origination of a mortgage loan. Origination fees are expressed as a percentage of the loan amount.

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Payment Cap	For an Adjustable Rate Mortgage (ARM) loan, a limit on the amount that payments can increase or decrease at the scheduled periodic interest rate adjustments.
Per Diem Interest	Interest calculated per day and collected from the borrower at settlement to cover the period of time when mortgage funds are disbursed until when the first mortgage payment is made.
Periodic Cap	For an adjustable-rate mortgage (ARM) loan, a limit on the amount that payments can increase or decrease during any one scheduled adjustment period.
PITI	Abbreviation for Principal, Interest, Taxes and Insurance. These are the components of a monthly mortgage payment.
Planned Unit Development (PUD)	A project or subdivision that includes common property that is owned and maintained by a homeowners' association for the benefit and use of the individual PUD unit owners.
Points	An up-front fee paid to a lender at the time of loan closing to reduce the initial interest rate. One "point" equals 1% of the loan amount.
Prepaid Interest	Interest collected from the borrower at settlement to cover the period of time when mortgage funds are disbursed until when the first mortgage payment is made.
Prepaid Items	Items such as property taxes, homeowners insurance and pre-paid interest that are required by the lender to be paid at closing rather than their normally scheduled due date.
Prepayment	A payment made by the borrower above and beyond the scheduled mortgage payment. This includes prepayment in full, where the entire balance is paid, or a partial prepayment where only a portion is paid.
Prepayment Penalty	A fee that may be charged to a borrower if the entire loan balance is paid-in-full earlier than the scheduled due date. The charge is usually expressed as a percentage of the loan balance at the time of prepayment.
Principal	The remaining unpaid balance on a loan which excludes interest and penalties. Also, the portion of the monthly payment that reduces the remaining balance of a mortgage.
Principal & Interest (P&I)	The base components of a monthly mortgage payment.
Private Mortgage Insurance	See Mortgage Insurance
Purchase Agreement	A contract signed by the buyer and seller stating the terms and conditions under which a property will be sold.
Purchase Price	The dollar amount, identified in the Purchase Agreement, for which the homebuyer will pay to acquire the property.

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Real Estate Agent	A professional licensed to negotiate and transact the sale of real estate on behalf of an owner.
Recording	The act of documenting, in the registrar's office the details of an executed legal document, such as a deed of trust, mortgage, satisfaction of mortgage, or modification of mortgage, thereby making it a part of the public record.
Refinance	The process of paying off an existing loan with the proceeds from a new loan using the same property as security. Refinancing is common to obtain a lower interest rate or to access available equity.
RESPA Real Estate Settlement Procedures Act	A federal law administered by the U.S. Department of Housing and Urban Development (HUD), requiring lenders to provide specific information to consumers, including settlement costs and mortgage servicing transfer disclosures. RESPA also requires lenders to provide an Affiliated Business Arrangement Disclosure which documents with whom the referring party has an ownership or other beneficial interest. Additionally, RESPA provides borrowers with important consumer protections relating to the servicing of their loans.
Right of Rescission	In the case of a refinance transaction, the borrower's act of cancellation or annulment of a transaction or contract by the operation of a law. Borrowers have the option to cancel a refinance transaction within three business days after settlement.

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Sales Agreement	See purchase agreement.
Second Mortgage	A mortgage loan with a second-priority lien position in relation to the first mortgage.
Social Security	Income received monthly from the federal government following retirement or disability.
Survey	A drawing or map showing the precise legal boundaries of a property, the location of improvements, easements, rights of way, encroachments, and other physical features.

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Title Insurance	Insurance that protects the owner's and/or lender's (mortgagee's) ownership interest in the property against loss due to ownership claims of third parties. The lender only requires mortgagee's title insurance. Owner's title insurance is optional and may be purchased if desired.
Title Insurance Company	A company that specializes in examining and insuring titles to real estate.
Trade-In	The used vehicle you provide as partial payment for another vehicle.
Transfer Tax	A state or local tax payable when title passes from one owner to another during a purchase transaction.

Truth-In-Lending	A federal law requiring lenders to fully disclose in writing certain terms and conditions of a mortgage, including the annual percentage rate, total amount financed, finance charge and other essential loan information. Truth-In-Lending also enforces the requirements for Right of Rescission.
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Uniform Commercial Code (“UCC”)	Established standard for recording liens across the country.
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VA	Loans guaranteed by the Veterans Administration that are only available to Veterans of the United States armed services, those currently in the service or reserves, and their spouses. Veterans can obtain a mortgage loan with little or no down payment.
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Vehicle Identification Number (VIN)	A seventeen-digit identification number, unique to each vehicle, which includes codes for the manufacturer, year, model, body, and engine specifications.
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Vehicle Make	The manufacturer of the vehicle (BMW, Chrysler, Honda).
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Vehicle Model	The style of the vehicle produced by the manufacturer (Ford Mustang, Chrysler 300, Honda Civic).
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Vehicle Trim	The option set for a vehicle of a specific Year, Make and Model. For example, the trims available for a 2006 Buick LaCrosse include: CX Sedan 4D, CXL Sedan 4D, and CXS Sedan 4D.
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