

Adjustable Rate Mortgage	a flexible rate mortgage with an interest rate and monthly payment that adjusts at regular intervals based on the index rate. Also referred to as adjustable mortgage loans (AMLs) or variable-rate mortgages (VRMs). Initial interest rates on ARM loans usually are lower than fixed-rate mortgages.
Abstract of Title	documents recording the ownership of property throughout time.
Acceleration	the right of the lender to demand payment on the outstanding balance of a loan.
Acceptance	the written approval of the buyer's offer by the seller.
Additional Principal Payment	money paid to the lender in addition to the established payment amount used directly against the loan principal to shorten the length of the loan.
Adjustment Date	the actual date that the interest rate is changed for an ARM.
Adjustment Index	the published market index used to calculate the interest rate of an ARM at the time of origination or adjustment.
Adjustment Interval	the time between the interest rate change and the monthly payment for an ARM. The interval is usually every one, three or five years depending on the index.
Affidavit	a signed, sworn statement made by the buyer or seller regarding the truth of information provided.
Amenity	a feature of the home or property that serves as a benefit to the buyer but that is not necessary to its use; may be natural (like location, woods, water) or man-made (like a swimming pool or garden).
Amortization	a payment plan that enables you to reduce your debt gradually through monthly payments. The payments may be principal and interest, or interest-only. The monthly amount is based on the schedule for the entire term or length of the loan.
Annual Mortgagor Statement	yearly statement to borrowers detailing the remaining principal and amounts paid for taxes and interest.
Annual Percentage Rate	percentage that the total finance charge calculated on an annual basis bears to the amount of the loan. This rate is likely to be higher than the interest rate on the mortgage because it includes points and other credit costs.
Application	the first step in the official loan approval process; this form is used to record important information about the potential borrower necessary to the underwriting process.
Application Fee	a fee charged by lenders to process a loan application.
Appraisal	a document from a professional that gives an estimate of a property's fair market value based on the sales of comparable homes in the area and the features of a property; an appraisal is generally required by a lender before loan approval to ensure that the mortgage loan amount is not more than the value of the property.
Appraisal Fee	fee charged by an appraiser to estimate the market value of a property.
Appraised Value	an estimation of the current market value of a property.
Appraiser	a qualified individual who uses his or her experience and knowledge to prepare the appraisal estimate.
Appreciation	an increase in property value.
Arbitration	a legal method of resolving a dispute without going to court.
As-is Condition	the purchase or sale of a property in its existing condition without repairs.

Asking Price	a seller's stated price for a property.
Assessed Value	the value that a public official has placed on any asset (used to determine taxes).
Assessments	the method of placing value on an asset for taxation purposes.
Assessor	a government official who is responsible for determining the value of a property for the purpose of taxation.
Assets	any item with measurable value.
Assignment of a Deed of Trust	a written document that transfers the beneficial interest in a note and deed of trust.
Assumable Mortgage	a mortgage that can be taken over ("assumed") by the buyer when a home is sold.
Assumption Clause	a provision in the terms of a loan that allows the buyer to take legal responsibility for the mortgage from the seller.
Authorization to Sign as an Agent Agreement	written document given by a beneficiary authorizing an agent to sign a document on their behalf (such as a notice of default).
Automated Underwriting	loan processing completed through a computer-based system that evaluates past credit history to determine if a loan should be approved. This system removes the possibility of personal bias against the buyer.
Average Price	determining the cost of a home by totaling the cost of all houses sold in one area and dividing by the number of homes sold.
Back End Ratio (debt ratio)	a ratio that compares the total of all monthly debt payments (mortgage, real estate taxes and insurance, car loans, and other consumer loans) to gross monthly income.
Back to Back Escrow	arrangements that an owner makes to oversee the sale of one property and the purchase of another at the same time.
Balance Sheet	a financial statement that shows the assets, liabilities and net worth of an individual or company.
Balloon Loan or Mortgage	a mortgage that typically offers low rates for an initial period of time (usually 5, 7, or 10) years; after that time period elapses, the balance is due or is refinanced by the borrower.
Balloon Payment	the final lump sum payment due at the end of a balloon mortgage.
Bankruptcy	a legal proceeding which allows a debtor to discharge certain debts or obligations without paying the full amount or allows the debtor time to reorganize his financial affairs so he can fully repay his debts.
Beneficiary	the lender or their successor in interest for whose benefit a trust is created and to whom the debt is owed.
Bid Authorization Letter	written authorization instructing the trustee to make the initial opening bid at the trustee's sale on the lender's behalf.
Borrower	a person who has been approved to receive a loan and is then obligated to repay it and any additional fees according to the loan terms.
Breach of Contract	failure without legal excuse to perform any promise made in a contract.
Bridge Loan	a short-term loan paid back relatively fast. Normally used until a long-term loan can be processed.

Broker	a licensed individual or firm that charges a fee to serve as the mediator between the buyer and seller. Mortgage brokers are individuals in the business of arranging funding or negotiating contracts for a client, but who does not loan the money. A real estate broker is someone who helps find a house.
Building Code	based on agreed upon safety standards within a specific area, a building code is a regulation that determines the design, construction, and materials used in building.
Buy Down	the seller pays an amount to the lender so the lender provides a lower rate and lower payments many times for an ARM. The seller may increase the sales price to cover the cost of the buy down.
Cap	a limit, such as one placed on an adjustable rate mortgage, on how much a monthly payment or interest rate can increase or decrease, either at each adjustment period or during the life of the mortgage. Payment caps do not limit the amount of interest the lender is earning, so they may cause negative amortization.
Capital Improvements	property improvements that either will enhance the property value or will increase the useful life of the property.
Certificate of Title	a document provided by a qualified source (such as a title company or attorney) that describes the status of the title to a parcel; before the title is transferred at closing, it should be clear and free of all liens or other claims.
Chapter 13 Bankruptcy	this type of bankruptcy sets a payment plan between the borrower and the creditor monitored by the court. The homeowner can keep the property, but must make payments according to the court's terms within a 3 to 5 year period.
Chapter 7 Bankruptcy	a bankruptcy that requires assets be liquidated in exchange for the cancellation of debt.
Claim Data	an itemization of the trustee's fee and expenses, provided to the lender when the notice of default is recorded and again at publication. A claim date is furnished for the lenders information and is not an invoice.
Clear Title	a property title that has no defects. Properties with clear titles are marketable for sale.
Closing	the final step in property purchase where the title is transferred from the seller to the buyer. Closing occurs at a meeting between the buyer, seller, settlement agent, and other agents. At the closing the seller receives payment for the property. Also known as settlement.
Closing Costs	fees for final property transfer not included in the price of the property. Typical closing costs include charges for the mortgage loan such as origination fees, discount points, appraisal fee, survey, title insurance, legal fees, real estate professional fees, prepayment of taxes and insurance, and real estate transfer taxes. A common estimate of a Buyer's closing costs is 2 to 4 percent of the purchase price of the home. A common estimate for Seller's closing costs is 3 to 9 percent.
Cloud On The Title	any condition which affects the clear title to real property.
Co-Borrower	an additional person that is responsible for loan repayment and is listed on the title.

Collateral	security in the form of money or property pledged for the payment of a loan. For example, on a home loan, the home is the collateral and can be taken away from the borrower if mortgage payments are not made.
Commission	an amount, usually a percentage of the property sales price that is collected by a real estate professional as a fee for negotiating the transaction. Traditionally the home seller pays the commission. The amount of commission is determined by the real estate professional and the seller and can be as much as 6% of the sales price.
Comparative Market Analysis	a property evaluation that determines property value by comparing similar properties sold within the last year.
Condominium	a form of ownership in which individuals purchase and own a unit of housing in a multi-unit complex. The owner also shares financial responsibility for common areas.
Conforming loan	is a loan that does not exceed Fannie Mae's and Freddie Mac's loan limits. Freddie Mac and Fannie Mae loans are referred to as conforming loans.
Consideration	an item of value given in exchange for a promise or act.
Construction Loan	a short-term, to finance the cost of building a new home. The lender pays the builder based on milestones accomplished during the building process. For example, once a sub-contractor pours the foundation and it is approved by inspectors the lender will pay for their service.
Contingency	a clause in a purchase contract outlining conditions that must be fulfilled before the contract is executed. Both, buyer or seller may include contingencies in a contract, but both parties must accept the contingency.
Conventional Loan	a private sector loan, one that is not guaranteed or insured by the U.S. government.
Conversion Clause	a provision in some ARMs allowing it to change to a fixed-rate loan at some point during the term. Usually conversions are allowed at the end of the first adjustment period. At the time of the conversion, the new fixed rate is generally set at one of the rates then prevailing for fixed rate mortgages. There may be additional cost for this clause.
Convertible ARM	an adjustable-rate mortgage that provides the borrower the ability to convert to a fixed-rate within a specified time.
Co-Signed Account	an account signed by someone in addition to the primary borrower, making both people responsible for the amount borrowed.
Co-Signer	a person that signs a credit application with another person, agreeing to be equally responsible for the repayment of the loan.
Cost of Funds Index	an index used to determine interest rate changes for some adjustable-rate mortgages.
Credit Counseling	education on how to improve bad credit and how to avoid having more debt than can be repaid.
Credit Enhancement	a method used by a lender to reduce default of a loan by requiring collateral, mortgage insurance, or other agreements.
Credit History	a record of an individual that lists all debts and the payment history for each. The report that is generated from the history is called a credit report. Lenders use this information to gauge a potential borrower's ability to repay a loan.

Credit Report	a report generated by the credit bureau that contains the borrower's credit history for the past seven years. Lenders use this information to determine if a loan will be granted.
Credit Risk	a term used to describe the possibility of default on a loan by a borrower.
Credit Score	an independent statistical evaluation of your ability to repay debt based on your borrowing and repayment history.
Credit Score	a score calculated by using a person's credit report to determine the likelihood of a loan being repaid on time. Scores range from about 360 - 840: a lower score meaning a person is a higher risk, while a higher score means that there is less risk.
Debt-to-Income Ratio:	a comparison or ratio of gross income to housing and non-housing expenses; With the FHA, the monthly mortgage payment should be no more than 29% of monthly gross income (before taxes) and the mortgage payment combined with non-housing debts should not exceed 41% of income.
Declaration of Default	a written document that instructs the trustee to prepare and record a notice of default and if necessary, to sell the secured property in order to satisfy the unpaid obligation.
Decree of Foreclosure	a court order to set out the outstanding amount on a delinquent mortgage in order to sell the property.
Deductible	the amount of cash payment that is made by the insured (the homeowner) to cover a portion of a damage or loss. Sometimes also called "out-of-pocket expenses." For example, out of a total damage claim of \$1,000, the homeowner might pay a \$250 deductible toward the loss, while the insurance company pays \$750 toward the loss. Typically, the higher the deductible, the lower the cost of the policy.
Deed	a legal instrument that conveys title to real property on delivery and acceptance by the grantee.
Deed of Trust	a written document describing the real property that is being given as security for the repayment of an obligation.
Deed-in-Lieu	to avoid foreclosure ("in lieu" of foreclosure), a deed is given to the lender to fulfill the obligation to repay the debt; this process does not allow the borrower to remain in the house but helps avoid the costs, time, and effort associated with foreclosure.
Default:	the inability to make timely monthly mortgage payments or otherwise comply with mortgage terms. A loan is considered in default when payment has not been paid after 60 to 90 days. Once in default the lender can exercise legal rights defined in the contract to begin foreclosure proceedings
Deficiency Judgement	a money judgment awarded to the mortgagee when funds obtained as a result of a foreclosure sale are insufficient to pay the debt.
Delinquency	failure of a borrower to make timely mortgage payments under a loan agreement. Generally after fifteen days a late fee may be assessed.
Deposit (Earnest Money)	money put down by a potential buyer to show that they are serious about purchasing the home; it becomes part of the down payment if the offer is accepted, is returned if the offer is rejected, or is forfeited if the buyer pulls out of the deal. During the contingency period the money may be returned to the buyer if the contingencies are not met to the buyer's satisfaction.

Depreciation	a decrease in the value or price of a property due to changes in market conditions, wear and tear on the property, or other factors.
Down Payment	the portion of a home's purchase price that is paid in cash and is not part of the mortgage loan. This amount varies based on the loan type, but is determined by taking the difference of the sale price and the actual mortgage loan amount. Mortgage insurance is required when a down payment less than 20 percent is made.
Earnings Per Share	a corporation's profit that is divided among each share of common stock. It is determined by taking the net earnings divided by the number of outstanding common stocks held. This is a way that a company reports profitability.
Easements	the legal rights that give someone other than the owner access to use property for a specific purpose. Easements may affect property values and are sometimes a part of the deed.
Eminent Domain	when a government takes private property for public use. The owner receives payment for its fair market value. The property can then proceed to condemnation proceedings.
Equal Credit Opportunity Act	Federal law requiring creditors to make credit equally available without discrimination based on race, color, religion, national origin, age, sex, and marital status.
Equal Credit Opportunity Act	a federal law requiring lenders to make credit available equally without discrimination based on race, color, religion, national origin, age, sex, marital status, or receipt of income from public assistance programs.
Equity	an owner's financial interest in a property; calculated by subtracting the amount still owed on the mortgage loan(s) from the fair market value of the property.
Equity Right of Redemption	the right of a mortgagor or another person with an interest in real estate to reclaim it after default but before foreclosure in order to avoid foreclosure action by paying off the debts, interest and fees that have accumulated on the property.
Escape Clause	a provision in a purchase contract that allows either party to cancel part or the entire contract if the other does not respond to changes to the sale within a set period. The most common use of the escape clause is if the buyer makes the purchase offer contingent on the sale of another house.
Escrow	funds held in an account to be used by the lender to pay for home insurance and property taxes. The funds may also be held by a third party until contractual conditions are met and then paid out.
Escrow Account	a separate account into which the lender puts a portion of each monthly mortgage payment; an escrow account provides the funds needed for such expenses as property taxes, homeowners insurance, mortgage insurance, etc.
Fair Credit Reporting Act	a consumer protection law that regulates the disclosure of consumer credit reports by consumer credit reporting agencies and establishes procedures for correcting mistakes on one's credit record.
Fair Housing Act	a law that prohibits discrimination in all facets of the home buying process on the basis of race, color, national origin, religion, sex, familial status, or disability.

Fair Lending	the prohibition of lenders from practicing unlawful discrimination against anyone on the basis of race, color, religion, national origin, age, sex, marital status, family status, or handicap.
Fair Market Value	the hypothetical price that a willing buyer and seller will agree upon when they are acting freely, carefully, and with complete knowledge of the situation.
Fannie Mae	Federal National Mortgage Association (FNMA); a federally-chartered enterprise owned by private stockholders that purchases residential mortgages and converts them into securities for sale to investors; by purchasing mortgages, Fannie Mae supplies funds that lenders may loan to potential homebuyers. Also known as a Government Sponsored Enterprise (GSE).
Federal Housing Administration	an agency of the U.S. Department of Housing and Urban Development (HUD) whose main activity is insuring residential mortgage loans made by private lenders.
FICO Score	FICO is an abbreviation for Fair Isaac Corporation and refers to a person's credit score based on credit history. Lenders and credit card companies use the number to decide if the person is likely to pay his or her bills. A credit score is evaluated using information from the three major credit bureaus and is usually between 300 and 850.
Fixed-Rate Mortgage	a mortgage with payments that remain the same throughout the life of the loan because the interest rate and other terms are fixed and do not change.
Forbearance	loss mitigation option where the lender agrees to arrange a revised repayment plan for the borrower that may include a temporary reduction or suspension of monthly loan payments.
Foreclosure	a legal process in which mortgaged property is sold to pay the loan of the defaulting borrower. Foreclosure laws are based on the statutes of each state.
Foreclosure Mitigation	a process whereby a property owner agrees in writing to allow a third-party to communicate directly with their lender during the process of foreclosure.
Freddie Mac	Federal Home Loan Mortgage Corporation (FHLM); a federally chartered corporation that purchases residential mortgages, securitizes them, and sells them to investors; this provides lenders with funds for new homebuyers. Also known as a Government Sponsored Enterprise (GSE).
Good Faith Estimate	lender estimates the costs a borrower will incur, including inspection fees and loan processing charges.
Good Faith Estimate	an estimate of all closing fees including pre-paid and escrow items as well as lender charges; must be given to the borrower within three days after submission of a loan application.
Grace Period	a period of days during which a debtor may cure a delinquency without penalty (before triggering a late charge, a foreclosure or an acceleration of the balance due).
Graduated Payment Mortgages	mortgages that begin with lower monthly payments that get slowly larger over a period of years, eventually reaching a fixed level and remaining there for the life of the loan. Graduated payment loans may be good if you expect your annual income to increase.

Guaranty Fee	payment to FannieMae from a lender for the assurance of timely principal and interest payments to MBS (Mortgage Backed Security) security holders.
Home Equity Line of Credit	a loan that is secured by the owner's property.
Home Equity Line of Credit	a mortgage loan, usually in second mortgage, allowing a borrower to obtain cash against the equity of a home, up to a predetermined amount.
Home Equity Loan	a loan secured by a primary residence or second home to the extent of the excess of fair market value over the debt incurred in the purchase.
Home Equity Loan	a loan backed by the value of a home (real estate). If the borrower defaults or does not pay the loan, the lender has some rights to the property. The borrower can usually claim a home equity loan as a tax deduction.
Home Mortgage Disclosure Act	an act established by Congress in 1975 and implemented by the Federal Reserve Board's Regulation C that requires lending institutions to report public loan data.
Homeowner's Insurance	an insurance policy, also called hazard insurance, that combines protection against damage to a dwelling and its contents including fire, storms or other damages with protection against claims of negligence or inappropriate action that result in someone's injury or property damage. Most lenders require homeowners insurance and may escrow the cost. Flood insurance is generally not included in standard policies and must be purchased separately.
Indemnify	any losses and damages endured by another person for which you are fully responsible.
Index	the measure of interest rate changes that the lender uses to decide how much the interest rate of an ARM will change over time. No one can be sure when an index rate will go up or down. If a lender bases interest rate adjustments on the average value of an index over time, your interest rate would not be as volatile. You should ask your lender how the index for any ARM you are considering has changed in recent years, and where it is reported.
Inflation	the number of dollars in circulation exceeds the amount of goods and services available for purchase; inflation results in a decrease in the dollar's value.
Interest	a fee charged for the use of borrowing money.
Involuntary Lien	a lien issued against a property without the owner's approval.
Judgement	the final decision of the court resolving the dispute and determining the rights and obligations of the parties.
Judgment	a legal decision; when requiring debt repayment, a judgment may include a property lien that secures the creditor's claim by providing a collateral source.
Judicial Foreclosure	a foreclosure process which is executed via a court action.
Jumbo Loan	or non-conforming loan, is a loan that exceeds Fannie Mae's and Freddie Mac's loan limits. Freddie Mac and Fannie Mae loans are referred to as conforming loans.
Late Payment Charges	the penalty the homeowner must pay when a mortgage payment is made after the due date grace period.

Lease	a written agreement between a property owner and a tenant (resident) that stipulates the payment and conditions under which the tenant may occupy a home or apartment and states a specified period of time.
Lease Purchase (Lease Option)	assists low to moderate income homebuyers in purchasing a home by allowing them to lease a home with an option to buy; the rent payment is made up of the monthly rental payment plus an additional amount that is credited to an account for use as a down payment.
Lein	a legal claim against another's property securing either payment of a debt or fulfillment of some other monetary charge or obligation.
Lender	A term referring to an person or company that makes loans for real estate purchases. Sometimes referred to as a loan officer or lender.
Lien	a legal claim against property that must be satisfied when the property is sold. A claim of money against a property, wherein the value of the property is used as security in repayment of a debt. Examples include a mechanic's lien, which might be for the unpaid cost of building supplies, or a tax lien for unpaid property taxes. A lien is a defect on the title and needs to be settled before transfer of ownership. A lien release is a written report of the settlement of a lien and is recorded in the public record as evidence of payment.
Line of Credit	an agreement by a financial institution such as a bank to extend credit up to a certain amount for a certain time to a specified borrower.
Loan Modification	procedure that alters terms of the loan; e.g., interest rate, monthly payment, or duration.
Loan Origination Fee	a charge by the lender to cover the administrative costs of making the mortgage. This charge is paid at the closing and varies with the lender and type of loan. A loan origination fee of 1 to 2 percent of the mortgage amount is common.
Loan Servicer	the company that collects monthly mortgage payments and disperses property taxes and insurance payments. Loan servicers also monitor nonperforming loans, contact delinquent borrowers, and notify insurers and investors of potential problems. Loan servicers may be the lender or a specialized company that just handles loan servicing under contract with the lender or the investor who owns the loan.
Loan to Value Ratio	a percentage calculated by dividing the amount borrowed by the price or appraised value of the home to be purchased; the higher the LTV, the less cash a borrower is required to pay as down payment.
Loss Mitigation	a process to avoid foreclosure; the lender tries to help a borrower who has been unable to make loan payments and is in danger of defaulting on his or her loan.
Loss Mitigation	a process to avoid foreclosure; the lender tries to help a borrower who has been unable to make loan payments and is in danger of defaulting on his or her loan
Margin	the number of percentage points the lender adds to the index rate to calculate the ARM interest rate at each adjustment.
Market Value	the amount a willing buyer would pay a willing seller for a home. An appraised value is an estimate of the current fair market value.
Maturity:	the date when the principal balance of a loan becomes due and payable.

Median Price	the price of the house that falls in the middle of the total number of homes for sale in that area.
Modification Agreement	a written document, signed by the beneficiary and the borrower that alters the terms of either the note or deed of trust.
Mortgage Insurance Premium	a monthly payment – usually part of the mortgage payment – paid by a borrower for mortgage insurance.
Mortgage	an interest in land created by a written instrument providing security for the performance of a duty or the payment of a debt.
Mortgage Insurance	protects lenders against some or most of the losses when a borrower defaults on a mortgage loan.
Mortgage Insurance Premium	a monthly payment -usually part of the mortgage payment - paid by a borrower for mortgage insurance.
Mortgage Modification	allows a borrower to refinance and/or extend the term of the mortgage.
Mortgage Qualifying Ratio	Used to calculate the maximum amount of funds that an individual traditionally may be able to afford. A typical mortgage qualifying ratio is 28: 36.
Mortgage-Backed Security	a Fannie Mae security that represents an undivided interest in a group of mortgages. Principal and interest payments from the individual mortgage loans are grouped and paid out to the MBS holders.
Mortgagor	the person who borrows the money from the lender to purchase a property.
No Cash Out Refinance	a refinance of an existing loan only for the amount remaining on the mortgage. The borrower does not get any cash against the equity of the home. Also called a "rate and term refinance."
No Cost Loan	there are many variations of a no cost loan. Generally, it is a loan that does not charge for items such as title insurance, escrow fees, settlement fees, appraisal, recording fees or notary fees. It may also offer no points. This lessens the need for upfront cash during the buying process however no cost loans have a higher interest rate.
Nonmilitary Affidavits	a sworn statement, in writing from the beneficiary or his agent which declares that the property owner is not entitled to any rights under the Soldier's and Sailors Civil Relief Act of 1940.
Note	the borrower's written promise to repay a loan according to its terms; a written document that sets forth the amount of the obligation and the terms of repayment.
Notice of Default	a written document that gives constructive notice of a trustor's failure to perform his obligation under a deed of trust.
Origination	the process of preparing, submitting, and evaluating a loan application; generally includes a credit check, verification of employment, and a property appraisal.
Origination Fee	the charge for originating a loan; is usually calculated in the form of points and paid at closing. One point equals one percent of the loan amount. On a conventional loan, the loan origination fee is the number of points a borrower pays.

Partial Claim	a loss mitigation option offered by the FHA that allows a borrower, with help from a lender, to get an interest-free loan from HUD to bring their mortgage payments up to date.
Points	a point is equal to one percent of the principal amount of your mortgage. For example, if you get a mortgage for \$95,000, one point means you pay \$950 to the lender. Lenders frequently charge points in both fixed-rate and adjustable-rate mortgages in order to increase the yield on the mortgage and to cover loan closing costs. These points usually are collected at closing and may be paid by the borrower or the home seller, or may be split between them.
Power of Attorney	a legal document that authorizes another person to act on your behalf. A power of attorney can grant complete authority or can be limited to certain acts or certain periods of time or both.
Pre-Approval	a lender commits to lend to a potential borrower a fixed loan amount based on a completed loan application, credit reports, debt, savings and has been reviewed by an underwriter. The commitment remains as long as the borrower still meets the qualification requirements at the time of purchase. This does not guaranty a loan until the property has passed inspections underwriting guidelines.
Predatory Lending	an unsuitable loan designed to exploit vulnerable and unsophisticated borrowers. Predatory loans are a subset of prime loans. A predatory loan has one or more of the following features: 1) charges more in interest and fees than is required to cover the added risk of lending to borrowers and lead to increased indebtedness, 3) does not take into account the borrower's ability to repay the loan, and 4) often violates fair lending laws by targeting women, minorities, and communities of color.
Pre-foreclosure Sale	a procedure in which the borrower is allowed to sell a property for an amount less than what is owed on it to avoid a foreclosure. This sale fully satisfies the borrower's debt.
Pre-Qualify	a lender informally determines the maximum amount an individual is eligible to borrow. This is not a guaranty of a loan.
Prime Rate	the interest rate that banks charge to preferred customers. Changes in the prime rate are publicized in the business media. Prime rate can be used as the basis for adjustable rate mortgages (ARMs) or home equity lines of credit. The prime rate also affects the current interest rates being offered at a particular point in time on fixed mortgages. Changes in the prime rate do not affect the interest on a fixed mortgage.
Principal	the amount of money borrowed to buy a house or the amount of the loan that has not been paid back to the lender. This does not include the interest paid to borrow that money. The principal balance is the amount owed on a loan at any given time. It is the original loan amount minus the total repayments of principal made.

Private Mortgage Insurance	insurance purchased by a buyer to protect the lender in the event of default. The cost of mortgage insurance is usually added to the monthly payment. Mortgage insurance is generally maintained until over 20 Percent of the outstanding amount of the loan is paid or for a set period of time, seven years is normal. Mortgage insurance may be available through a government agency, such as the Federal Housing Administration (FHA) or the Veterans Administration (VA), or through private mortgage insurance companies (PMI).
Promissory Note	a written promise to repay a specified amount over a specified period of time.
Property Tax	a tax charged by local government and used to fund municipal services such as schools, police, or street maintenance. The amount of property tax is determined locally by a formula, usually based on a percent per \$1,000 of assessed value of the property.
Property Tax Deduction	the U.S. tax code allows homeowners to deduct the amount they have paid in property taxes from their total income.
Qualifying Ratios	guidelines utilized by lenders to determine how much money a homebuyer is qualified to borrow. Lending guidelines typically include a maximum housing expense to income ratio and a maximum monthly expense to income ratio.
Quit Claim Deed	a deed of conveyance that releases any title, interest, or claim, which the grantor may have in the premises.
Rate Lock	a commitment by a lender to a borrower guaranteeing a specific interest rate over a period of time at a set cost.
Real Estate Mortgage Investment Conduit	a security representing an interest in a trust having multiple classes of securities. The securities of each class entitle investors to cash payments structured differently from the payments on the underlying mortgages.
Real Estate Property Tax Deduction:	a tax deductible expense reducing a taxpayer's taxable income.
Real Estate Settlement Procedures Act	a law protecting consumers from abuses during the residential real estate purchase and loan process by requiring lenders to disclose all settlement costs, practices, and relationships
Real Estate Settlement Procedures Act	a federal law that requires that lending institutions disclose certain information to purchasers of residential real estate after an application has been made.
Redlining	when a lender denies a loan in certain parts of a city due to discrimination.
Refinancing	the process of paying off one loan with the proceeds from a new loan secured for the same property.
Refinancing	paying off one loan by obtaining another; refinancing is generally done to secure better loan terms (like a lower interest rate).
Reinstatement Period	a phase of the foreclosure process where the homeowner has an opportunity to stop the foreclosure by paying money that is owed to the lender.
Repayment plan	an agreement between a lender and a delinquent borrower where the borrower agrees to make additional payments to pay down past due amounts while making regularly scheduled payments.

Reverse Mortgage	the reverse mortgage is used by senior homeowners age 62 and older to convert the equity in their home into monthly streams of income and/or a line of credit to be repaid when they no longer occupy the home. A lending institution such as a mortgage lender, bank, credit union or savings and loan association funds the FHA insured loan, commonly known as HECM.
Second Mortgage	an additional mortgage on property. In case of a default the first mortgage must be paid before the second mortgage. Second loans are more risky for the lender and usually carry a higher interest rate.
Secondary Mortgage Market	the buying and selling of mortgage loans. Investors purchase residential mortgages originated by lenders, which in turn provides the lenders with capital for additional lending.
Secured Loan	a loan backed by collateral such as property.
Security	the property that will be pledged as collateral for a loan.
Servicer	a business that collects mortgage payments from borrowers and manages the borrower's escrow accounts.
Servicing	the collection of mortgage payments from borrowers and related responsibilities of a loan servicer.
Soldier's and Sailor's Relief Act	an act passed by Congress in 1940, protecting those serving in the military.
Special Forbearance	a loss mitigation option where the lender arranges a revised repayment plan for the borrower that may include a temporary reduction or suspension of monthly loan payments.
Sub-Prime	industry term used to describe credit and loan products that have less stringent lending and underwriting (loan approval) terms and conditions, often with higher interest rates and fees.
Sub-Prime Loan	"B" Loan or "B" paper with FICO scores from 620 - 659. "C" Loan or "C" Paper with FICO scores typically from 580 to 619. An industry term to used to describe loans with less stringent lending and underwriting terms and conditions. Due to the higher risk, sub-prime loans charge higher interest rates and fees.
Survey	a property diagram that indicates legal boundaries, easements, encroachments, rights of way, improvement locations, etc. Surveys are conducted by licensed surveyors and are normally required by the lender in order to confirm that the property boundaries and features such as buildings, and easements are correctly described in the legal description of the property.
Title	a legal document establishing the right of ownership and is recorded to make it part of the public record. Also known as a Deed.
Transfer of Ownership	any means by which ownership of a property changes hands. These include purchase of a property, assumption of mortgage debt, exchange of possession of a property via a land sales contract or any other land trust device.
Trust	a legal relationship in which a person transfers legal title to property to a trustee who manages it for the beneficiaries of the trust.
Trust Deed	a three party security instrument conveying the legal title to real property as security for the repayment of a loan.

