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11th District Cost of Funds -

A monthly cost-of-funds index (COFI) reflecting the weighted-average interest rate paid by 11th Federal Home Loan Bank District savings institutions for savings and checking accounts. The 11th district covers Arizona, California and Nevada. The index is published on the last day of the month and reflects the cost of funds for the prior month.

A

Acceleration clause -

The clause in a mortgage or trust deed that stipulates the entire debt is due immediately if the mortgagee defaults under the terms of the contract.

Acquisition cost -

Under an FHA loan, the purchase price or appraised value of the property plus the estimated closing costs.

Adjustable Rate Mortgage (ARM) -

A mortgage in which the interest rate is adjusted periodically based on an index. Also called a variable rate mortgage.

Adjustment_date -

The date the interest rate changes on an ARM (adjustable rate mortgage).

Adjustment Interval -

For an adjustable rate mortgage, the time between changes in the interest rate charged. The most common adjustment intervals are one, three or five years.

Adjusted book basis -

The purchase price of a property plus any capital improvements less accrued depreciation, if any, to the date of the sale.

Amortization -

Literally to "kill off" (root: mort) the outstanding balance of a loan by making equal payments on a regular schedule (usually monthly). The payments are structured so that the borrower pays both interest and principal with each equal payment.

Annual Percentage Rate (APR) -

A figure that states the total yearly cost of a mortgage as expressed by the actual rate of interest paid. The APR includes the base interest rate, points, and any other add-on loan fees and costs. As a result the APR is invariably higher for the rate of interest that the lender quotes for the mortgage but gives a more accurate picture of the likely cost of the loan. Keep in mind, however, that most mortgages are not held for their full 15 or 30 year terms, so the effective annual percentage rate is higher than the quoted APR because the points and loan fees are spread out over fewer years.

Annuity -

A series of income payments of receipts over a period of years.

Application -

A mortgage application requires borrowers to submit information regarding their income, savings, assets, debts, and more.

Application Fee -

The fee charged by the lender to the borrower for applying for a loan. Payment of this fee does not guarantee that a loan will be approved. Some lenders may apply the cost of the application fee to certain closing costs.

Appraisal -

The determination of property value based on recent sales information of similar properties.

Assessment -

Determining a property's value for the purpose of taxation.

Assumable Loan -

These loans may be passed on from a seller of a home to the buyer. The buyer "assumes" all outstanding payments.

Assumption -

Buying property and assuming the responsibility of the exiting mortgage.

Appreciation -

Increases in property value due to fluctuations in the market, inflation, et al.

Asset -

Valuable items, encumbered or not, owned by a person, corporation, or entity.

Assumable Mortgage -

A mortgage that provides for a buyer to "assume" all outstanding payments when a home is sold. The buyer usually must meet qualification standards to assume a loan.

B

Balloon Mortgage -

Behaves like a fixed-rate mortgage for a set number of years (usually five or seven) and then must be paid off in full in a single "balloon" payment. Balloon loans are popular with those expecting to sell or refinance their property within a definite period of time.

Balloon Payment -

The final lump sum that is paid at the end of the balloon mortgage.

Bankruptcy -

A tactic that individuals use to relieve themselves of debts and/or liabilities when they are no longer able to repay. The most common form of individual bankruptcy is a Chapter 7, when an individual frees himself from most of his/her debts. Borrowers who have undergone bankruptcy usually cannot qualify for "A" paper loans until after two years after declaration and a re-establishment of credit.

Best Faith Estimate -

An estimate of the total costs for securing a real estate loan, that is given to borrowers prior to closing.

Bill of Sale -

A written document that transfers a title to personal property.

Biweekly Mortgage -

Mortgage loan payments that requires a payment every 14 days, yielding thirteen payments per year instead of twelve. This significantly reduces the time a principal is paid off.

Blanket Mortgage -

A mortgage secured by the pledging of more than one property or collateral.

Book Value -

Acquisition costs less any accrued depreciation.

Broker -

An individual in the business of assisting in arranging funding or negotiating contracts for a client but who does not loan the money himself. Brokers usually charge a fee or receive a commission for their services.

Bridge Loan -

An equity loan secured to solve short-term financing problem.

Budget Mortgage -

A mortgage that includes a portion for taxes and insurance as well as principal and interest.

Buydown -

Allows loans to be made at less-than-market interest rates by paying front-end discounts. The interest rate is brought down for a temporary period, usually from one to three years. In order to acquire this discount, a lump sum is paid and held in an account used to supplement the borrower's monthly payment. After the discount period, the payment is calculated as the note rate.

C

Callable Debt -

A debt security in where the issuer has the right to redeem the security at a specified price on or after a specified date, but prior to its stated final maturity date.

Caps -

A set percentage amount by which an adjustable rate mortgage may adjust each adjustment period. For adjustable loans, caps are usually quoted as two numbers as in 2/6. The first number indicates how much a loan may adjust at each adjustment period while the second number indicates how much a loan may adjust over its lifetime.

Loans like the 3/1 and 5/1 adjustable which have an initial fixed period are quoted with 3 numbers as in 3/2/6 which would mean that the first adjustment may be as much as 3%, subsequent adjustments are capped at 2% each, and the lifetime cap is 6%.

Two-Step loans are quoted with a single cap, which is the amount by which the loan may adjust at its single adjustment date.

Carryback Loan -

A loan in which a seller agrees to finance a buyer in order to complete a property sale.

Certificate of Eligibility -

A veteran's evidence of entitlement for a VA-guaranteed loan.

Certificate of Reasonable Value (CRV) -

An appraisal that has been performed on a property that is being paid for a VA loan. After the property has been appraised, the Veterans Administration issues a CRV.

Clear Title -

A title that is free of liens or any legal question as to the ownership of the property.

Closing -

Final arrangements to transfer title of property as well as allocate charges and credits.

Closing Costs -

Closing costs are fees paid by the borrower when a property is purchased or refinanced. Costs incurred include a loan origination fee, discount points, appraisal fee, title search, title insurance, survey, taxes, deed recording fee, and credit report charges. All closing costs are separated into "non-recurring," and "pre-paid." Non-recurring charges are any items that are paid only once because a loan was obtained or a property bought, such as a loan origination fee. Pre-paid charges are those that recur over time, like insurance and property taxes. These are summarized in the Good Faith Estimate.

Cloud -

An outstanding claim or encumbrance, that, if valid, would affect or impair the owner's property title.

Collateral -

Property, real or personal, pledged as a security to back up a promise. In a home loan, the property is considered collateral that can be revoked if loan is not repaid according to the terms of the mortgage or deed of trust.

Commitment -

A written letter of agreement detailing the terms and conditions by which the lender will lend and the borrower will borrow funds to finance a home.

Conforming Loan -

A loan for up to and including \$417,000 in the continental United States (Alaska and Hawaii limits are higher).

Construction Loan -

A short term loan for funding the cost of construction. The lender advances funds to the builder as the work progresses.

Conversion -

The right of a borrower to convert an adjustable or balloon loan into a fixed loan.

Conventional Mortgage -

A mortgage loan that is obtained without any additional guarantees for repayment, such as FHA insurance, VA guarantees, or private insurance. This is usually given at an 80% loan-to-value ratio.

Credit Loan -

A credit loan is a mortgage that is issued on only the financial strength of a borrower, without great regard for collateral.

Credit-Loss Ratio -

The ratio of credit-related losses to the dollar amount of MBS outstanding and total mortgages owned by the corporation.

Credit Rating -

Borrowers are rated by lenders according to the borrower's credit-worthiness or risk profile. Credit ratings are expressed as letter grades such as A-, B, or C+. These ratings are based on various factors such as a borrower's payment history, foreclosures, bankruptcies and charge-offs. There is no exact science to rating a borrower's credit, and different lenders may assign different grades to the same borrower.

Credit-Related Expenses -

The sum of foreclosed property expenses plus the provision for losses.

Credit-Related Losses -

The sum of foreclosed property expenses plus charge-offs.

Credit Report -

A report to a prospective lender on the credit standing of a prospective borrower. Used to help determine creditworthiness. Information regarding late payments, defaults, or bankruptcies will appear here.

D

Debt-to-Income Ratio (DTI) -

The ratio of aggregate monthly debt to aggregate monthly income.

Deed -

A legal document which affects the transfer of ownership of real estate from the seller to the buyer.

Deed of Trust -

Synonymous to a mortgage. A deed of trust or mortgage is obtained, depending on the state in which the borrower will reside.

Default -

The failure to make payments on a loan.

Delinquency -

Late- or non-payments of principal, interest, taxes, or insurance.

Deposit -

A lump sum given in advance as security. A deposit is always paid of a larger amount to be paid in the future. In mortgage and real estate terms, this is called the "earnest money deposit."

Depreciation -

In real estate and mortgage terms, the decline in the property value.

Discount -

Difference between the face amount of a note or mortgage and the price at which the instrument is sold in the secondary market.

Discount Points -

A term used in government subsidized loans, such as FHA and VA loans. Refers to any "points" (one percent of the loan amount) paid in addition to the one percent loan origination fee.

Down Payment -

Money paid by a buyer from his own funds, as opposed to that portion of the purchase price which is financed.

E

Earnest Money Deposit -

A deposit made by a potential home buyer to show that they are serious about purchasing the property.

Easement -

Giving other persons, other than the owner, access to a property.

Eminent Domain -

The government right to take private property for public use depended on the payment of its fair market value.

Encumbrance -

Any lien against a property or any restriction in its use, such as an easement; a right or interest in a property held by one who is not the legal owner.

Equal Credit Opportunity Act (ECOA) -

The act declaring the elimination of discrimination on the basis of age, sex, and race in finance.

Equity -

The difference between the current market value of a property and the principal balance of all outstanding loans.

Escalator Clause -

A clause in a loan providing for increases in payments or interest based on pre-determined schedules or on a specific economic index, such as the consumer price index.

Escrow -

A third party agent that receives, holds, and/or disburses certain funds or documents upon the performance of certain conditions. For example, an earnest money deposit is put into escrow until the transaction is closed. Only then can the seller receive the deposit.

Escrow Account (impound account) -

An account that a borrower can hold with a lender once a purchase transaction is closed. This requires borrowers to pay more than the principal and interest each month. The overage is put into escrow, which the lender uses to pay items like property taxes and homeowner's insurance when they are due. This eliminates the actual number of payments that a homeowner has to worry about, but not the amount that has to actually be paid.

Escrow Analysis -

An analysis performed by a lender each year to escrow account holders to ensure that the correct amount of money is being collected to cover anticipated payments.

Escrow Fee -

These costs cover the preparation and transmission of all home purchased-related documents and funds. Escrow fees range from several hundred to over a thousand dollars, based on the purchase price of your home. Not all states require funds to be put into escrow accounts for closing.

Estate -

The ownership interest an individual holds in real property. This is also the sum total of all the real property and personal property owned by an individual at time of death.

Eviction -

The legal removal of real property occupants for unlawful actions carried out by those occupants.

F

Fair Credit Reporting Act -

A law that protects consumer that regulates the reporting of consumer credit by agencies and establishes procedures for correcting errors on an individual record.

Fannie Mae (FNMA) -

The Federal National Mortgage Association is a congressionally chartered, shareholder-owned company. This organization is the nation's largest supplier of home mortgage funds.

Fannie Mae's Community Home Buyer's Program -

A program that offers flexible underwriting guidelines to subsidize a low- to moderate-income family's purchase of a home. The program usually decreases the total amount of cash needed to purchase a home.

Federal Housing Administration (FHA) -

An agency under the U.S. Department of Housing and Urban Development (HUD), it insures loans made by approved lenders to qualified borrowers, in accordance with its regulations.

Fees -

Up-front costs associated with a loan. Clicking on the word VIEW shown under the "Fees Detail" column on the quotes results page will display detailed information about the financial institution's fees and requirements pertaining to that rate.

Fee Simple -

The best title that one can obtain; unqualified and conveys the highest bundle of rights.

FHA Loan -

A government-backed mortgage loan supported by the US FHA and the Department of Housing and Urban Development (HUD).

Finance Charge -

The total dollar amount your loan will cost you. It includes all interest payments for the life of the loan, any interest paid at closing, your origination fee and any other charges paid to the lender and/or broker. Appraisal, credit report and title search fees are not included in the finance charge calculation.

Firm Commitment -

A lender's agreement to provide a loan to a specific borrower on a specific property.

First Mortgage -

A mortgage that has priority over other mortgages.

Fixed-Rate Mortgage -

A mortgage where the interest rate does not change for the life of the loan.

Float -

Between the time of application and closing, a borrower may choose to bet on interest rates decreasing by electing to float. Floating is essentially choosing not to lock the interest rate. Since it is the borrower's responsibility to lock his or her rate before (or at) closing, choosing to float is considered risky and may result in a higher interest rate. Request information from your lender regarding lock procedures.

Forbearance -

The postponement for a limited time of a portion or all the payments on a loan when a borrower is delinquent.

Foreclosure -

A legal procedure in which real estate is sold by the lender to pay a defaulting borrower's debt .

401(k)/403(b) -

An investment plan sponsored by employers that allows individuals to set aside tax-deferred income for retirement or emergency purposes. A 401(k) applies to private corporations, while a 403(b) applies to non-profit organizations.

401(k)/403(b) loan -

A loan that can be taken against the amount accumulated in the 401(k)/403(b) plans, if so allowed by the plan administrator. Loans against these plans are an acceptable source of down payment for most types of other loans.

G

Good Faith Estimate -

An estimate of charges which a borrower is likely to incur in connection with a loan closing.

Government Loan -

A type of mortgage insured by the FHA (Federal Housing Authority), VA (Veteran's Administration), or RHS (Rural Housing Authority).

Government National Mortgage Association (Ginny Mae) -

Provides funds for government loans and takes over special assistance and liquidation functions of Fannie Mae.

Grace Period -

A time allowed, usually 15 days, for making late payments without a penalty.

grantee -

The person to whom an interest in real property is conveyed.

grantor -

The person conveying an interest in real property.

Gross Monthly Income -

The total amount the borrower earns per month, not counting any taxes or expenses. Often used in calculations to determine whether a borrower qualifies for a particular loan.

H

Hard-Money Mortgage -

Cash loan to a borrower.

Hazard Insurance -

A form of insurance in which the insurance company protects the insured from certain losses, such as fire, vandalism, storms and certain other natural causes.

Home Equity Conversion Mortgage (HECM) -

Also known as the reverse annuity mortgage. This mortgage provides that instead of making payments to a lender, the lender makes payments to the individual. Older homeowners are able to convert home equity into cash this way, in the form of monthly payments. Borrowers don't qualify on the basis of income, but on the value of his or her home. Such a loan does not have to be repaid until the borrower no longer occupies the property.

home equity line of credit -

A mortgage loan in second position that allows a borrower to obtain cash drawn against home equity, up to a certain amount.

Home Inspection -

A thorough assessment by a professional regarding the structural and mechanical condition of a property.

homeowner's insurance -

An insurance policy that combines personal liability insurance and hazard insurance for a home and its contents.

homeowner's warranty -

An insurance policy that is purchased by a buyer that covers certain repairs, should they be necessary over a certain period.

Housing Ratio -

The ratio of the monthly housing payment to total gross monthly income. Also called Payment-to-Income Ratio or Front-End Ratio.

HUD -

Department of Housing and Urban Development; regulates Fannie Mae and Ginny Mae.

Hybrid Financing -

The joining together of two forms of finance, such as combining a convertible loan with a participation loan, under which the lender has the right at loan maturity to convert the debt to a 50 percent ownership in the property.

I

Index -

A published interest rate against which lenders measure the difference between the current interest rate on an adjustable rate mortgage and that earned by other investments (such as one-, three-, and five-year U.S. Treasury Security yields, the monthly average interest rate on loans closed by savings and loan institutions, and the monthly average Costs-of-Funds incurred by savings and loans), which is then used to adjust the interest rate on an adjustable mortgage up or down.

Interest -

Consideration in the form of money paid for the use of money, usually expressed as an annual percentage. Also, a right, share, or title in property.

Interest Only -

A term loan arrangement calling for payments of interest only, not to include any amount for principal.

Interest Rate -

The percentage of an amount of money that's paid for its use over a specified time period.

Interest Rate Swap -

A transaction between two parties, in which each agrees to exchange payments tied to different interest rates or indices for a specified period of time.

Intermediate-Term Mortgage -

A mortgage loan with a stated maturity at the time of purchase that it is equal to or less than 20 years.

J

Judicial Foreclosure -

A court procedure used by lenders to secure clear title to a property under a defaulted real estate loan.

Jumbo Loan -

A loan for \$359,651 or more in the continental United States (Alaska and Hawaii limits are higher). These limits are 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.

L

Last Updated -

The Last Update column on a quotes results table tells you when the information was last provided by the lender to our site. We always place new listings at the top of each table so that you, the borrower, may have immediate access to the most timely information. Times provided are all Eastern Standard Time.

lease -

A written agreement between a property owner and a tenant that stipulates the payment and conditions under which the tenant may possess the real estate for a specified period of time.

Leasehold Estate -

An estate for a fixed length of time, established when a landlord gives up possession of real estate to a tenant, giving the tenant an equitable interest in the property, as defined by lease terms.

Lease Option -

A rental agreement indicating a tenant's option to purchase a property. Monthly payments consists not only of rent, but an overage that can be applied towards a down payment on an already established amount.

Lender -

The bank, mortgage company, or mortgage broker offering the loan. Many institutions only "originate" loans and then resell the obligation to third parties.

Leverage -

Using someone else's money for the purchase of property.

Liability Insurance -

Insurance that protects property owners against claims that alleges negligence or inappropriate action that resulted in bodily injury or property damage to another party.

LIBOR -

The London Interbank Offered Rate Index (LIBOR) is an average of the interest rates that major international banks charge each other to borrow U.S. dollars in the London money market. Like the U.S. treasury the CD indexes, LIBOR tends to move and adjust quite rapidly to changes in interest rates.

Lien -

A legal claim by one party against the property of another as security for a debt. Must be paid off when property is sold. A mortgage or a first trust deed is a lien.

Life of Loan Cap -

The maximum interest rate that can be charged during the life of the loan. Also called Lifetime Cap. This value is often expressed as an increment above the initial loan rate. For example, an adjustable rate loan with an initial rate of 7.25% and a 6% lifetime cap will never adjust above a rate of 13.25% (7.25+6.0).

Loan -

The principal, or amount of total borrowed money, that is repaid with interest.

Loan Amount -

The amount of money that you intend on borrowing from a financial institution for the purchase of your home. Subtracting the down payment from the purchase price of the home will provide you with the loan amount.

Loan Officer -

An intermediary between lending institutions and borrowers, loan officers solicit loans, represent creditors to borrowers, and represent borrowers to creditors.

Loan Origination -

What the process of obtaining new loans is called.

Loan Servicing -

A service performed by a lender to protect a mortgage investment, including collecting monthly payments from borrowers and dealing with delinquencies.

Loan-To-Value Ratio - -

The relationship between the amount of the mortgage loan and the appraised value of the property expressed as a percentage. A LTV ratio of 90 means that a borrower is borrowing 90% of the value of the property and paying 10% as a down payment. For purchases, the value of the property is assumed to be the purchase price, for refinances the value is determined by an appraisal.

Lock noun -

The period, expressed in days, during which a lender will guarantee a rate. Some lenders will lock rates at the time of application while others will allow the borrower to lock the rate after the application is taken. Request information from your lender regarding lock procedures.

Lock verb -

The act of committing to a mortgage rate. This action, taken by a borrower some time between the application and the closing dates, is sometimes accompanied by a payment by the borrower to the lender.

Lock-in Clause -

Clause in a loan agreement that states that the borrower cannot repay a loan prior to a specified date.

M

Margin -

The amount a lender adds to the quoted index rate for an adjustable rate loan to determine the new interest rate.

Maturity -

The "Due Date" of a loan.

Merged Credit Report -

A credit report that reports data from two or more major credit repositories.

Minimum Credit -

This field on the table refers to the minimum credit rating a borrower must have in order to qualify for the listed loan.

Modification -

Any change to the original terms of a mortgage.

Monthly Housing Expense -

Total principal, interest, taxes, and insurance paid by the borrower on a monthly basis. Used with gross income to determine affordability.

Mortgage -

A legal document that pledges property to a creditor for the repayment of the loan, and is the term used to describe the loan itself. Some states use the term First Trust Deeds to refer to mortgage loans.

Mortgagee -

The lender in a mortgage agreement.

Mortgage Banker -

A financial intermediary that originates or funds loans, collects payments, inspects the property, and forecloses if necessary. The main difference between a mortgage banker and a loan officer is a banker funds their own loans and sell them on the secondary market, usually to Fannie Mae, Freddie Mac, or Ginny Mae.

Mortgage Broker -

A mortgage company that originates loans, joining the borrower and lender for a real estate loan, earning a placement fee.

Mortgage Constant -

The factor used for rapid computation of the annual payment needed to amortize a loan.

Mortgage Insurance -

Insurance that covers the lender against losses incurred as a result of a default on a home loan. This is usually required on all loans that have a loan-to-value higher than eighty percent. Mortgages that have an 80% LTV that do not require mortgage insurance have higher interest rates. The lenders then pay the mortgage insurance themselves. In addition, FHA loans and some first-time homebuyer programs require mortgage insurance regardless of the loan-to-value.

Mortgagor -

The borrower in a mortgage agreement.

Multidwelling Units -

Properties that provide separate housing units for more than one family, although only a single mortgage is secured.

N

Negative Amortization -

Essentially occurs when a borrower makes a minimum payment that may not cover the interest that is due. Loan balance then increases as a result.

Net Effective Income -

Gross income less federal income tax.

No Cash-out Refinance -

A refinance transaction that is not intended to put cash in the hand of the borrower, but instead calculates a new balance to cover the balance due on a current loan and any costs with obtaining a new mortgage.

No-Cost Loan -

A no-cost loan can either be: 1) a loan that has no "lender costs" associated with it or, 2) a loan that also covers purchases or refinancing costs, which may be incurred in buying a home, obtaining and/or refinancing a loan, but are not directly charged by the lender. The interest rate on this type of loan is higher.

Note -

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

Note Rate -

The stated interest rate on a mortgage note.

O

Origination Fee -

The fee imposed by a lender to cover certain processing expenses in connection with making a loan. Usually a percentage of the amount loaned.

Owner Financing -

A property purchase that is partly or wholly financed by the seller.

Owner's Title Policy -

A policy protecting the buyer for the amount of the purchase price in the event of a future title dispute.

P

Package Mortgage -

A mortgage that /includes equipment and appliances located on the premises in addition to the real property itself.

Partial Entitlement -

Under VA loans, the amount of guarantee still available to an eligible veteran who has used his previous entitlement.

partial payment -

A payment that is not sufficient enough to cover the month payment. During times of economic hardship, a borrower can make this request of the loan servicing collection department.

Participation Financing -

A loan in which more than one mortgagee or more than one mortgagor harbors an interest. It can also be a loan in which the mortgagee receives partial ownership of the property being financed.

Payment Change Date -

The date when a new monthly payment amount takes effect on an adjustable rate mortgage (ARM) or a graduated payment mortgage (GPM). The payment change date occurs the month immediately after the interest rate adjustment date.

Periodic Payment Cap -

The limit on the amount that payments can increase or decrease during any one adjustment period for an adjustable-rate mortgage (ARM) where the interest rate and principal fluctuate independently of one another.

Periodic Rate Cap -

The limit on the amount that payments can increase or decrease during any one adjustment period in an ARM (adjustable rate mortgage), regardless of how high or low the index fluctuates.

Personal Property -

Movable property that does not fit the definition of realty.

Phone -

The table list the correct telephone numbers to access the loan department of each institution.

PITI -

PITI stands for principal, interest, taxes, and insurance. An "impounded" loan means that the monthly payment covers all of these, and perhaps mortgage insurance, if your loan so calls for it. If one does not have an "impounded" account, then the lender still calculates these amounts separately and uses it as part of determining one's debt-to-income ratio.

PITI Reserves -

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

Planned Unit Development (PUD) -

A type of ownership where individuals actually own the building or unit they reside in, but shared areas are owned jointly with the other members of the development or established association.

Pledge Account Mortgage (PAM) -

Combines GPM (graduated payment mortgage) with a subsidizing savings account to provide the borrower with a low payment plan, the lender with amortizing payments and the seller with cash.

Points -

The site allows lenders to post rates via point ranges. Points are broken out on the site for Discount and Origination. The definitions for each are as follows:

Discount Points = Interest Charges paid up-front when a borrower closes a loan. A point is equal to 1 percent of the loan amount (e.g. 1.5 points on a \$100,000 mortgage would cost the borrower \$1,500). Generally, by paying more points at closing, the borrower reduces the interest rate of his loan and thus future monthly payments.

Origination Points = A fee imposed by a lender to cover certain processing expenses in connection with making a real estate loan. Usually a percentage of the amount loaned, such as one percent.

Pre-Approval -

A term used to mean that a borrower has completed a loan application and provided debt, income, and savings information that has been reviewed and pre-approved by an underwriter.

Pre-Foreclosure Sale -

A procedure in which the borrower is allowed to sell his or her property for an amount less than what is owed on it to avoid foreclosure, fully satisfying the borrower's debt.

Pre-Paid -

Expenses such as taxes, insurance, and assessments, which are paid in advance of their due date, and on a prorated basis at closing.

Pre-Payment -

Any amount paid so as to reduce the principal before the due date.

Prepayment Penalty -

Lenders who impose prepayment penalties will charge borrowers a fee if they wish to repay part or all of their loan in advance of the regular schedule.

Pre-Qualification -

After a loan officer has made inquiries about a borrower's debt, income, and savings, he or she can write a written statement (pre-qualification) about the borrower's chances for qualifying for a home loan.

Prime Rate -

Interest charged by financial institutions to top-rate borrowers.

Principal -

The amount of debt, not counting interest, left on a loan.

Private Mortgage Insurance (PMI) -

Paid by a borrower to protect the lender in case of default. PMI is typically charged to the borrower when the Loan-to-Value Ratio is greater than 80%.

Prorations -

The allocation of charges and credits to the appropriate parties at a real estate sale and/or loan closing at a real-estate sale and/or loan closing.

Promissory Note -

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

Purchase Agreement -

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

Purchase-Money Mortgage -

Mortgage given by a borrower to the seller as part of the purchase price of the property.

Purchase-Money Transaction -

The acquisition of property through the payment of money or its equivalent.

Q

Qualifying Ratio -

The ratio of the borrower's fixed monthly expenses to his gross monthly income. Ratios are expressed as two numbers like 28/36 where 28 would be the Front-End Ratio and 36 would be the Back-End Ratio.

The Front-End Ratio is the percentage of a borrower's gross monthly income (before income taxes) that would cover the cost of PITI (Mortgage Principal Payment + Mortgage Interest Payment + Property Taxes + Homeowners Insurance). In the case of a 28% Front-End Ratio a borrower could qualify if the proposed monthly PITI payments were 28% or less than the borrower's gross monthly income.

The Back-End Ratio is the percentage of a borrower's gross monthly income that would cover the cost of PITI plus any other monthly debt payments like car or personal loans and credit card debt.

Please note that qualifying ratios are only a rough guideline in determining a potential borrower's credit-worthiness. Many factors such as excellent or poor credit history, amount of down payment, and size of loan will influence the decision to approve or disapprove a particular loan. Moving.com urges all borrowers to discuss their particular situation with a qualified lender regardless of the outcome of any self-qualification exercise.

Quitclaim Deed -

A deed that transfers, without warranty, whatever interest or title a grantor may have at the time the conveyance is made.

R

Rate Lock -

A commitment issued by a lender to a borrower or other mortgage originator guaranteeing a specified interest rate for a specified period of time at a specific cost.

Real Estate -

A portion of the earth's surface extending downward to the center to the earth and upward into space, including all things permanently attached thereto by nature or man and all legal rights therein.

Real Estate Agent -

A person licensed to negotiate and transact the sale of real estate.

Real Estate Settlement Procedures Act (RESPA) -

An act requiring the revelation of all costs involved in a real estate closing to all participants.

Real property -

See real estate.

Realtor -

A real estate agent, broker, or associate that holds an active membership in a local real estate board that is affiliated with the National Association of Realtors.

Recast -

To redesign an existing loan balance into a new loan for the same period or longer, to reduce payments and help a distressed borrower.

Reconciliation -

Determining the final estimate of value by weighing the results of the various approaches in an appraisal.

Reconveyance Clause -

The clause in a trust deed that gives the title back to the borrower when the loan is paid in full.

Recording -

The formal filing of documents affecting a property's title.

Regulation Z -

A truth-in-lending provision that requires lenders to reveal the actual costs of borrowing.

Refinancing -

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

Rent-Loss Insurance -

Insurance that protects a landlord against loss of rent or rental value due to fire or other casualty, resulting in the tenant being excused from paying rent.

Repayment Plan -

An agreement between a lender and a delinquent borrower regarding mortgage payments, in which the borrower agrees to make additional payments to pay down past due amounts while still making scheduled payments.

Residual Qualifying -

Under a VA loan, using specified housing expenses to qualify for a loan payment.

Restrictions -

Rules imposed on the use of real estate in an effort to preserve property values.

Reverse Annuity Mortgage (RAM) -

A system developed for an elderly property owner in which regular monthly payments can be received from a lender. When the total reaches a pre-determined amount, the owner begins repaying the loan or sells the property.

Revolving Debt -

A credit arrangement that allows a customer to borrow against a pre-approved line of credit used to purchase goods and services. The borrower is responsible for the actual amount borrowed plus any interest due.

Right-of-First Refusal -

A provision that states that a property to be first offered to a specific person before it can be offered for sale or lease to other parties.

Rollover Loan -

A loan that includes a call date earlier than its normal amortization period.

Rule of 78 -

Calculates proportionate amount of interest due on a loan being paid in full before its maturity.

S

Sale-Buyback -

A financing arrangement in which an investor buys property from a developer and immediately sells it back under a long-term sales agreement, wherein the investor retains legal title.

Sale-Leaseback -

A financing arrangement whereby an investor purchases real estate owned and used by a business corporation, then leases the property back to the business.

Secondary Mortgage Market -

A market where mortgage originators may sell them, freeing up funds for continued lending and distributes mortgage funds nationally from money-rich to money poor areas.

Second Mortgage -

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

Secured Loan -

A loan that is backed by collateral.

Security -

Something given, deposited, or pledged to make secure the fulfillment of an obligation, usually the repayment of a debt.

Seller Carry-Back -

An agreement in which the owner of a property provides financing, often in combination with an assumable mortgage.

Senior Loan -

A real estate loan in first priority position.

Servicer -

An organization that collects principal and interest payments from borrowers and manages borrowers' escrow accounts. The servicer often services mortgages that have been purchased by an investor in the secondary mortgage market.

Servicing -

The collection of mortgage payments from borrowers and related responsibilities of a loan servicer.

Settlement Costs -

See Closing Costs. v Sinking Fund -
Monies deposited in advance in anticipation of satisfying a debt in the future.

Stop Date -
Date on a term loan when the balloon payment is due.

Subordinate Financing -
Any mortgage or other lien that has a priority lower than that of the first mortgage, or senior loan. See second mortgage.

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

Sweat Equity -
Increase in property value due to improvement by owners.

T

Takeout Mortgage -
A permanent mortgage, obtained by pre-arrangement between a builder and a financial institution, to repay the interim mortgage at the completion of construction.

Tax Lien -
A claim against real estate for the amount of its unpaid taxes.

Third-Party Origination -
A process by which a lender uses another party to completely or partially originate, process, underwrite, close, fund, or package the mortgages it plans to deliver to the secondary mortgage market.

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

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

Title Insurance -
Title Insurance policies typically insure a homebuyer against any title-search errors or mistakes, and against loss due to disputes over property ownership. Title Insurance can additionally offer protection to the lender under similar circumstances. The cost of title insurance is usually a set value per thousand of dollars of the total loan amount.

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

Total Debt Ratio -
Monthly debt and housing payments divided by gross monthly income. Also known as Back-End Ratio.

Transfer of Ownership -
The means by which the ownership of a property changes hands. Examples of such include the purchase of a property "subject to" the mortgage, the assumption of the mortgage debt by the property purchaser, and any exchange of possession of the property under a land sales contract or any other land trust device.

Transfer Tax -

State or local tax payable when the title passes from one owner to another.

Truth-in-Lending Law -

Provision that requires lenders to reveal the actual costs of borrowing.

Two-Step Mortgage -

A loan where the interest rate is fixed for the first seven years and then is adjusted one time for the balance of the loan period.

V

VA Loan -

A government-backed mortgage loan supported by the US Veterans Administration.

Variable Rate Mortgage -

See Adjustable Rate Mortgage.

Vested -

Means that one has a right to use a portion of a fund, such as an individual's retirement fund.

Y

Yield Spread Premium (YSP) -

Points paid by lenders for loans carrying interest rates above the par (zero point) rate. Points are an upfront charge expressed as a percent of the loan. On rates below the par rate, lenders charge points whereas on rates above the par rate, lenders pay points. YSPs are also called "negative points" or "rebates". For more detailed information click here [Yield Spread Premium](#)

Z

Zero Percent Financing -

A loan with no interest in the contract. The IRS imputes 10 percent for both borrower and lender.

Zoning -

The right of a community, under its police power, to dictate the use of property within its boundaries.