

ARM (Adjustable Rate Mortgage): Interest and/or payments are adjusted periodically based on an index.

AMORTIZATION: Calculation showing the gradual repayment of a mortgage loan by installments

APR (Annual Percentage Rate): Interest rate based on the cost of a mortgage including points, as a yearly rate. Usually higher than the "Note" rate.

ASSIGNMENT: The transfer of a mortgage from one person to another.

ASSUMABLE LOAN: A loan that can be passed on from a seller to a buyer. The buyer makes the payments.

BALLOON PAYMENT: A loan that has monthly payments and after a predetermined time, one large payment is due that will pay off the loan.

BENEFICIARY: Person or entity designated to receive income from a mortgage.

CLOSING COSTS: Fees paid by when property is purchased or refinanced. Usually paid by the Borrower but may be paid by the Broker/Agent. (No cost loan).

COMMUNITY PROPERTY: A form of ownership of property.

CONFORMING LOAN: The maximum dollar amount of a mortgage loan as established by Fannie Mae/Freddie Mac in order to obtain the lowest interest rate.

CONVENTIONAL LOAN: A mortgage that is *not* insured by FHA or VA.

CONVEYANCE: Transfer of title or ownership.

DEED: Legal document that conveys title to real property.

ENCUMBRANCE: Mortgages, leases, easements or restrictions involving real property.

EQUITY: The difference between the fair market value and any outstanding loans against property.

ESCROW: Funds deposited with a third party and paid according to predetermined requirements.

FHA: Agency of the US Department of Housing and Urban Development (HUD) that insures residential mortgages.

FREDDIE MAC: A corporation chartered by congress that provides a continuous flow of funds to lenders.

FANNIE MAE: Nations supplier of home mortgage funds.

FIXED RATE MORTGAGE: The interest rate on a mortgage loan does not change during the term of the loan.

GOOD FAITH ESTIMATE: Report from the Lender that outline the costs incurred to obtain the loan.

HUD: U. S. Department of Housing and Urban Development. **HUD 1 SETTLEMENT STATEMENT:** Shows the actual settlement cost of the loan transaction.

IMPOUND: The portion of a monthly payment held by the Lender to pay taxes, hazard insurance and/or mortgage insurance as they become due.

INTEREST: The fee charged for borrowing money.

JOINT TENANCY: A form of ownership.

JUMBO LOAN: A loan that exceeds Fannie Mae/Freddie Mac mortgage limits and therefore is at a higher rate of interest.

LENDER: Bank, mortgage company, savings & loan or mortgage banker that lends money.

LIEN: An encumbrance against property for money due.

LTV: (Loan to value) Amount loaned vs. the appraised value of property expressed as a percentage.

LOCK RATE: (Lock-in) An agreement guaranteeing a specified interest rate provided the loan closes within a specific time and all conditions are met.

MORTGAGEE: The Lender.

MORTGAGOR: The Borrower.

ORIGINATION FEE: Stated as a percentage of the face value of a loan paid by the Borrower.

PITI: Principal, Interest, Taxes and Insurance.

POC: Paid Outside Closing.

POINTS: A fee charged equal to 1% of the principal loan amount that is collected by the Lender at the time the loan is made.

PREPAYMENT PENALTY: A fee that is charged to the Borrower who pays off a loan before it is due.

PRINCIPAL: Amount of a loan not including interest.

PTC: Paid Through Closing

PTD: (Prior to Docs) Conditions the Borrower must meet before the Lender prepares loan documents.

PTF: (Prior to Funding) Conditions the Borrower must meet before the Lender will fund the loan.

PMI: (Private Mortgage Insurance). Insurance that reimburses the Lender for all or a portion of any loss sustained in the event of foreclosure.

PUD: Planned Unit Development

RESPA: (Real Estate Settlement Procedures Act). Consumer protection law.

RECONVEYANCE: Removing the lien from the property when the Note has been repaid in full.

RECURRING CLOSING COST: Charges to the borrower that continue after the loan closes...i.e. Insurance, taxes, interest.

NON-RECURRING CLOSING COST: One time charges to the borrower at closing...i.e. Title policy, appraisal, escrow fees.

REGULATION Z: Truth-in-Lending Act.

SUBORDINATION AGREEMENT: A document provided by a lender who holds first or second position on a property. The document relinquishes that position to another lender.

TITLE INSURANCE: Insurance against loss resulting from defects of title on real estate.

TRUSTEE: One who holds property for the benefit of another.

VA MORTGAGE: A mortgage guaranteed by the Department of Veterans Affairs.

VESTING: Method of taking title to real property.

METHODS OF HOLDING TITLE

- TENANTS IN COMMON
- JOINT TENANCY
- COMMUNITY PROPERTY
- COMMUNITY PROPERTY WITH RIGHT OF SURVIVORSHIP
- MARRIED SOLE & SEPARATE
- TRUSTEE

