



Glossary of Terms

Adjustable Rate Mortgage (ARM):
A mortgage product with an interest rate that may change based on market factors; as a result, the payment can rise and fall.

Appraisal:
A written estimate of a property's current market value prepared by a certified appraiser.

Balance:
The amount of the original loan that remains to be paid. The balance is equal to the loan amount less the sum of all prior payments of principal.

Balloon:
The loan balance remaining at the time a mortgage period ends that must be paid in full.

Credit report:
A report from a credit bureau containing detailed information on an individual's ability to repay a debt. This report is based on a person's credit payment history.

Deed-In-Lieu of Foreclosure (DIL): The transfer of legal title of a property to the lender in consideration for forgiveness of a debt.

Default or breach:
The failure to perform any promise (such as an obligation to make timely monthly payments) agreed to in a binding contract.

Deferment:
An agreement to make portions of loan payments at a later time. The total amount paid will be the same or more, but a deferment is created in an effort to assist homeowners experiencing a temporary hardship.

Delinquency Cycle:
The period between the time a homeowner first becomes delinquent in paying a mortgage and the foreclosure of a home. A recourse is for the person to seek counseling, working with lenders and going to seminars to develop a workout option.

Escrow:
An agreement that money will be placed in an account for future payment. Typically this is used for taxes and hazard insurance. The money is held in an account which the lender uses to pay for taxes and insurance when due.

Fannie Mae/Freddie Mac:
Federal agencies that purchase home loans from lenders.

Fixed Rate Mortgages:
A lending vehicle which locks in an interest rate for the life of the loan. The rate does not change and the monthly payment remains the same for the life of the loan.

Forbearance or Repayment Plan:
Allows borrowers who have been delinquent on payments to make regularly scheduled payments on a loan, plus a portion of the past due payments.

Hardship Letter:
A written description explaining why a borrower is not or may not be able to make monthly mortgage payments. The letter must include reasons for the hardship and plans for the future.

Home Depreciation:
This occurs when the property value of a home decreases, usually due to market conditions such as an abundance of available homes or an overall weakened economy.



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Home Equity:

The difference between the value of the home and the balance of outstanding mortgage loans on the home.

Home Equity Line of Credit

(HELOC): A mortgage set up as a line of credit against which a borrower can draw up to a maximum amount, as opposed to a loan for a fixed dollar amount.

Loss Mitigation:

A commitment made by lenders and servicers of a loan to work with borrowers to help them avoid foreclosure by establishing a workable repayment plan.

Marketability:

A home's ability to sell based on its location, size, upkeep and other factors.

Modification:

The temporary or permanent change in one or more of the terms of a mortgage contract.

Point:

A point is equal to one percent of the loan amount. Points can be either positive (discount) or negative (rebate). The more discount points paid up-front, the lower the interest rate will be. A borrower can opt for a loan with a higher interest rate in exchange for a rebate, which will give the borrower credit toward paying some of non-recurring closing costs (such as title insurance, appraisal and origination fee).

Repayment Plan:

A written agreement between the borrower and the lender to implement a payment delay agreement due to unforeseen circumstances wherein the property or employment status is affected.

Second mortgage:

This is a loan with a second-priority claim against a property in the event that the borrower defaults.

Short Sale:

An arrangement where the lender accepts an amount less than the full payoff of a loan to satisfy the terms of the loan. This option is used when the amount owed to sell the property is more than the value of the property, and the customer does not have the ability to keep the property.