

Finance Terms

Although the terms contained herein may have other meaning, they are presented here in the context of the mortgage lending industry.

1003

See “Uniform Residential Loan Application”

“A” Paper

Also known as borrowers; “A” paper and "A" credit.

- a. Often used in reference to loan packages that comply with the requirements of either Fannie Mae and/or Freddie Mac. Conforming.
- b. Used to represent borrowers, conforming and non-conforming, who have good to excellent credit. The literal definition of good to excellent credit can vary among lenders and investors, but generally refers to credit that would be acceptable to Fannie Mae and/or Freddie Mac.

ALTA

American Land Title Association. An Association of title professionals. ALTA establishes standard procedures and uniform title insurance policy forms.

APR

See Annual Percentage Rate

ARM

See “Adjustable Rate Mortgage”

Adjustable Rate Mortgage

A mortgage that permits the lender to adjust its interest rate periodically on the basis of movement in a specified index.

Affidavit

A sworn statement in writing sometimes notarized.

Alternate Documentation

A documentation alternative that allows lenders to obtain documentation related to a borrower’s income, employment, etc., directly from the borrower rather than through a third party.

Amenity

Something that is not essential, but adds value, can be natural (stream, mature trees, etc.) or manmade (swimming pool, tennis court, etc.).

Amortization

A gradual reduction of the mortgage debt through periodic payments made through the term of the mortgage loan.

Annual Percentage Rate (APR)

Reflects the total cost of the mortgage loan expressed as an annual rate. The APR will nearly always be higher than the note rate because it considers the cost of obtaining the loan (origination fee, discount points, etc.)

Applicant

The person(s) applying for the loan.

Appraisal

In regards to residential real estate, a written report containing a description of the subject property along with an estimate of the fair market value of a property. Prepared by an appraiser.

Appraiser

In regard to a residential real estate, an appraiser provides a written report containing both a detailed and accurate description of the property in addition to an adequately supported estimate of fair market value.

Appreciation

An increase in the value over time.

Attached Unit

Usually refers to living spaces that are attached to one another, as opposed to detached. For instance: An attached duplex is two living spaces sharing a common wall. A detached duplex is two separate structures on the same parcel of land.

Automated Underwriting (AU)

The process of approving a mortgage loan for financing via a computer. Both Fannie Mae (Desktop Underwriter™) and Freddie Mac (Loan Prospector™) provide this service for their

approved lenders. Automated underwriting can save time; can increase the allowable LTVs; increase underwriting leniencies; and reduce documentation requirements.

B/C

A term used to describe loans that do not conform to Freddie Mac or Fannie Mae underwriting standards. Often, grading is in reference to credit histories. Also referred to as sub-prime loans.

Back Qualifying Ratios

See "Debt Ratio"

Balloon Mortgage

A mortgage with payments that amortize over a certain term, but which requires a lump sum payment of the remaining balance at the end of an earlier specified term.

Basis Point

1/100 of 1.0%, expressed as 0.01%

Bridge Loan

A loan that is secured by the borrower's current home, which is usually for sale, in order to provide funds to purchase and close a new home before the first home is sold.

Broker (Mortgage Broker)

A person or company who originates and packages mortgage loans on behalf of mortgage applicants, then "shops" among various lenders for programs, prices and terms to meet the needs of the particular borrower in the placement of the mortgage loan.

Buy Down (Temporary)

An arrangement wherein the property seller (or any other party) deposits money to an account so that it can be released each month to reduce the borrowers monthly payment during the early years of a mortgage. Often used to help borrowers qualify at a lower interest rate.

Call Option

A provision in the mortgage that allows the holder of the mortgage to call the loan due at the end of a specified period for whatever reason.

Caps

Limits on payments or interest rates. Can be periodic caps or lifetime.

Cash Out Refinance

Definition of “cash-out” varies among lenders. Typically, cash-out refers to a refinanced loan that exceeds the payoff of the first mortgage, a seasoned second, and closing costs. Also referred to as an equity refinance.

CC&Rs

See “Covenants, Conditions and Restrictions”

Charge-off

An action taken by a creditor when they have determined that the cost of collecting a debt is prohibitive, or exceeds the amount that they expect to collect. Considered derogatory credit.

Closed End Debt

Debt that is characterized by installment payments of a fixed amount for a specified period of time.

Closing Costs

Monies paid by the borrower to affect the closing of a mortgage loan. Usually the 700, 800, 1100, 1200 & 1300 series on the HUD-1 Settlement Statement.

Closing Statement

Also called settlement statement. A statement that includes a breakdown of loan charges. It is provided at loan closing, and typically prepared on a HUD-1 form.

CLTA

California Land Title Association. An association of title professional. Like ALTA, CLTA establishes standard forms and procedures.

COFI

See “Cost of Funds Index”

Co-Mortgagor

Any additional person to be obligated on the mortgage loan; may be an occupant or not. As opposed to a co-signed, co-borrower signs all loan documents and also hold title.

Comparable

The term used to describe the properties an appraiser uses to compare the subject property when determining market value. Properties should be similar in market appeal. Often referred to as “comps”.

Conditional Commitment (928005b)

FHA's statement of appraised value. The conditional commitment, or 928005b is a commitment, issued by either a HUD office of an approved direct endorsement underwriter, that FHA will insure said property subject to the conditions on the form and an acceptable borrower.

Condominium

A legal form of fee simple ownership in a real estate project in which each unit owner has title to a unit in a building and an undivided interest in the common areas of the project.

Conforming

Conforms to guidelines of the Fannie Mae and/or Freddie Mac.

- b. Often used in reference to loans that are within the maximum loan limitations of Fannie Mae and/or Freddie Mac, as opposed to jumbo loans that exceed said limits.
- c. Used in reference to loans that meet the underwriting and other eligibility guidelines of Fannie Mae and/or Freddie Mac.

Conventional Mortgage

A mortgage that is not insured or guaranteed by the federal government.

Convertible ARM

A type of an adjustable rate mortgage that allows an option to convert the loan to a fixed rate loan usually in the early years of the mortgage and subject to limitations.

Convey

To transfer.

Co-Sign

To sign on the promissory note, but not the deed of trust or mortgage. Thus, the co-signer is obligated on the debt, but does not have ownership of the property.

Cost Approach

A method of valuation used by appraisers to determine what it would cost to replace the subject property.

Cost of Funds Index

An index that is used to determine interest rate changes for certain ARM plans. It often represents the weighted average cost of savings, borrowings, and advances of the 11th District

members of the Federal Home Loan Bank of San Francisco; but can imply any index representing the cost of funds to any given financial institution(s).

Covenants, Conditions and Restrictions

Typically recorded, they are a set of specifications that dictates what is and is not acceptable in a particular subdivision.

Credit Life Insurance

Insurance obtained by a borrower to pay off their mortgage in the event of death and/or disability. Not to be confused with mortgage insurance, which protects the lender.

Credit Scores

A numerical value that summarizes a borrower's credit history.

Debt Ratio

All monthly obligations, including housing, compared to gross income expressed as a percentage.

Deed-in-lieu

A deed voluntarily given by the property owner, or mortgagor, to the lender, or mortgagee in order to avoid foreclosure proceedings.

Deed of Trust

A legal document used to encumber land as security for a debt. Mortgage.

Default

Non-compliance with the Note or Deed of Trust.

Deficiency Judgment

Occurs when a lender forecloses on a property, experiences a financial loss and sues to recover the deficiency from the borrower.

Delinquency

When payments are not made in accordance with the Promissory Note.

Depreciation

Loss of value over time.

Desktop Underwriter™

Fannie Mae's automated underwriting software.

Detached

A term used to describe structures that are not attached to one another. For instance: A garage may be attached or detached from a single-family residence.

Discount

The amount by which the sales price of a note is less than its face value. The purpose of a discount is to adjust the yields upward in lieu of interest.

Discount Points

Discount points, discounts, and points: Monies paid in advance to adjust the yield in lieu of interest. One discount point is equal to one percent of the loan amount.

Down Payment

The difference between the sales price and the loan amount.

DU

See "Desktop Underwriter"

Duplex

A two-unit property on one legal description. Units may be attached or detached.

ECOA

Equal Credit Opportunity Act. A law that prohibits discrimination in the extension of credit.

Earnest Money

A term used to reference the actual monetary deposit made when the real estate purchase contract is signed.

Easement

An interest in land owned by another that entitles its holder to a specific limited use, such as utility easements, or crossing the property for other purposes.

Encroachment

Something that trespasses on the property rights of another.

Encumbrance

A lien or liability on a property or piece of land.

Endorsement

Additional coverage (purchased for a fee) to a standard title policy.

Equity

The difference between the market value of the subject property and the amount of the mortgage and other liens.

Escrow

Can be either:

A trust account established to hold funds allocated for the payment of real estate taxes, hazard, or mortgage insurance premiums.

An account of funds held by a third party, i.e., a title company, to ensure repairs or completion of a property after closing.

A procedure where a third party handles legal documents and funds on behalf of a seller and buyer.

Escrow Agent

Third party that properly handles legal documents and funds on behalf of a buyer and seller.

Exclusionary List

A list, published by Freddie Mac, of parties they will not do business with.

Fannie Mae

The official nickname for Federal National Mortgage Association.

Federal Housing Administration

A division of Housing and Urban Development (HUD). Among other things, it insures mortgages made by private lenders.

Federal Home Loan Mortgage Corporation (Freddie Mac or FHLMC)

A government sponsored entity. Stockholder owned, congressionally chartered investor of home mortgages. Along with Fannie Mae, sets the guidelines for investment quality mortgages. Also used to signify "A" paper. Conforming.

Federal National Mortgage Association (Fannie Mae or FNMA)

A government sponsored entity. Privately owned, congressionally chartered investor of home mortgages. Along with Freddie Mac, sets the guidelines for investment quality mortgages. Also used to signify "A" paper. Conforming.

Fee Simple

The greatest interest in real estate that is possible to own.

FHA

See "Federal Housing Administration"

FHLMC

See "Freddie Mac" or "Federal Home Loan Mortgage Corporation"

FICO Scores

A type of credit score created by Fair Isaac and Company. Often used in mortgage lending.

Final Application

The application that reflects changes after all verifications and updates are completed.

Financial Institutions Reform, Recovery and Enforcement Act

Passed in 1989, it modified federal laws governing thrift and bank regulations. Title XI of the Act includes real estate appraisal reform amendments.

Firm Commitment

An approval on a borrower for an FHA insured mortgage.

FIRREA

See "Financial Institutions Reform, Recover and Enforcement Act"

First Mortgage

A mortgage that is the primary lien, or in first place against real estate.

Fixture

Personal property that becomes real property by virtue of being permanently attached to real property.

FNMA

See “Fannie Mae” or “Federal National Mortgage Association”

Foreclosure

Legal process whereby the lender takes back the property, usually a result of nonpayment or other default.

Four-plex

A 4-unit property on one legal description.

Fraud

Intentional deception.

Freddie Mac

The official nickname for Federal Home Loan Mortgage Corporation.

Front Qualifying Ratio

See “Housing Ratio”

Fully Indexed Rate

The value of the index rate plus the margin.

Garnishment

Involuntary deduction from payroll to pay a debt; a judgment is usually required.

GFE

See “Good Faith Estimate”

Gift Letter

A written document that includes explicit verbiage that is required by most lenders and/or investors when gift funds are used to purchase a home.

GNMA

See “Government National Mortgage Association”

Good Faith Estimate

A written estimate of the costs incurred in the acquisition of a mortgage loan. Provided to the borrower by the lender or broker within three-days of application. Required by the Real Estate Settlement and Procedures Act (RESPA).

Government National Mortgage Association

A division of Housing and Urban Development (HUD) that guarantees securities backed by pools of FHA and VA loans.

GPM

See “Graduated Payment Mortgage”

Graduated Payment Mortgage

A mortgage that has its initial monthly payments set at an amount lower than required for full amortization of the loan. Payments are increased by a specified percentage each year during the graduated payment period. At the end of the period, payments are in an amount to fully amortize the (increased) balance over the remaining term.

Gross Income

Income before deductions (i.e. taxes, loan payments, etc.)

Grossing Up

A procedure used to increase non-taxable income for the purpose of calculating qualifying ratios, thereby providing a more equitable comparison to gross taxable income.

Handwritten Application

Refers to the original 1003 loan application before verifications, adjustments, or updates, and may actually be handwritten or not.

HECM

Home Equity Conversion Mortgage. Also referred to as a reverse mortgage. Used for elderly people with substantial equity in a home, whereas the lender encumbers the property and disburses the proceeds by making monthly payments to the owner.

HELOC

See “Home Equity Line of Credit”

Home Equity Conversion Mortgage

See Reverse Mortgage

Home Equity Line of Credit

A mortgage loan, typically in a subordinate position, that allows the borrowers to draw the loan proceeds incrementally at his/her own discretion, up to the full amount of the note.

Homeowner's Association

A legal entity, whose by-laws are recorded, usually formed for the purpose of maintaining common areas.

Housing and Urban Development

A division of the federal government responsible for government housing and urban development programs. Often the term is used interchangeably with FHA, though actually FHA is a branch of HUD.

HUD

See "Housing and Urban Development"

Impounds

A trust account established to hold funds allocated for the payment of real estate property taxes, hazard, or mortgage insurance premiums.

Improvements

Anything added to raw land.

Index

A number derived from a formula used to characterize a set of data, which serves as an indicator for determining the interest rate changes on adjustable rate loans. Sample indexes include COFI, LIBOR, and Treasury Securities.

Index Rate

The value of the index at any given time.

Installment Debt

Closed end loan. A debt wherein the proceeds are disbursed, and the indebtedness is amortized over a defined period.

Interest Rate

The amount charged, expressed as a percentage, for the use of money.

Interim Financing

Short-term loan.

Investment Property

Property that is owned with the intent of earning profit. Rental property. Non-owner occupied property.

Investor

Can be either:

A person who has purchased a property that will not be owner occupied.

The lender or entity that purchases the mortgage.

Jumbo

Used in reference to mortgages with loan amount exceeding Fannie Mae and/or Freddie Mac maximum allowable loan limits. Said loan limits are subject to change annually, based on the median price range of housing.

Joint Tenancy

Where two or more persons hold real estate jointly for life, the survivors to take the interest of the one who dies.

Judgment

A decree of a court placing a lien or charge on the lands of a debtor resulting from the court's award of monies to a creditor.

Junior Lien

A mortgage lien that is subordinate to the prior claims of the prior, or primary lien.

Leasehold Property

A form of title vesting in real estate where the title holder does not actually own the property, but rather lease it for long term.

Lender

The entity actually funding the loan on the subject property.

Lender's Policy

Policy of title insurance, typically paid for by the borrower, insuring the lender against loss by reason of defects, liens and encumbrances or lack of marketability of the title. Does not insure against exceptions listed.

LIBOR Index

London Interbank Offered Rates. An index that is used to determine interest rate changes for certain ARM plans. The index typically used is the average of London Interbank Offered Rates for six-month U.S. dollar-denominated deposits in the London Market.

Lien

A hold or claim allowed a creditor upon the lands of a debtor. Examples are mortgage liens, judgment liens and mechanic's liens.

Limited Cash Out Refinance

According to Fannie Mae, a refinance that pays off a first mortgage, seasoned (for at least one year) liens, closing cost and prepaids. Freddie Mac calls the same thing No Cash Out Refinance.

Loan Prospector™

Freddie Mac's automated underwriting software.

Loan-to-Value

The relationship between the loan amount divided by the lesser of the appraised value or sales price.

London Interbank Offered Rate

An index that is used to determine interest rate changes for certain adjustable rate mortgage plans. The index typically used is the average of London Interbank Offered Rates for six-month U.S. dollar-denominated deposits in the London Market.

Long Term Debt

Installment debt wherein the remaining payments exceed a specified number of months, usually ten, if payments are made as scheduled.

LP

See "Loan Prospector"

LTV

See "Loan to Value"

Manufactured Housing

A singlewide or doublewide unit constructed off-site and then transported to a permanent site where it is assembled and attached to a permanent foundation.

Margin

The amount, expressed as a percentage, which is added in an index value to create the mortgage interest rate for an adjustable rate mortgage. Often represents the investor's profit.

Market Approach

A method of valuation used by an appraiser that relies upon a comparison of subject property to other similar recently sold properties.

Market Value

The best estimate of what a property would sell for in a reasonable amount of time in a normal market given an arms length transaction.

Maximum Financing

Loan to Value ratio is within 5% of the maximum allowable.

Mechanic's Liens

A lien allowed to contractors, laborers, etc., against a piece of real estate upon which work has been performed or materials provided.

Metes & Bounds

A description of land by courses and distances, as opposed to a lot number and subdivision name.

MI

See "Mortgage Insurance Premium"

MIP

See "Mortgage Insurance Premium"

Modular Home

A factory built home that is transported to and assembled at the site on a permanent foundation.

Mortgage

A security instrument used to encumber land as security for a debt. The term mortgage is also used collectively to mean all of the documents and papers that encumber land as security for a debt.

Mortgagee

A designation for the mortgage lender.

Mortgage Insurance (MI)

A form of insurance that insures the lender against default. Premiums are typically paid for by the borrower, but can be added to the interest rate for payment by the lender.

Mortgage Insurance Premium (MIP)

The premium paid for insurance to insure the lender against default. The term MIP is typically used to describe the FHA mortgage insurance premium.

Mortgagor

A designation for the mortgage borrower.

Negative Amortization

Scheduled payments are insufficient to fully amortize the loan over the remaining term of the loan. Shortages are added to the loan balance, resulting in an increase to the principal balance of the mortgage.

Net Cash Flow

When referring to income property, it is the difference between the monthly operating income and the monthly housing expense of subject property. Can be a positive or a negative number.

No Cash Out Refinance

Definition varies among lenders and/or investors. According to Freddie Mac, no-cash-out is a refinance that pays off a first mortgage, seasoned (for at least one year) liens, closing costs and prepaids. Fannie Mae calls the same thing a Limited Cash Out Refinance.

Non-Conforming

Loan does not conform with the guidelines of Fannie Mae and/or Freddie Mac.

Non-Owner Occupied

A property occupied by someone other than the owner (borrower), usually a tenant. Also referred to as rental property or investment property.

NOO

Non-owner occupied.

Note

The legal contract evidencing the borrower's promise to pay the lender as well as the terms of the loan. Also known as the promissory note.

Notice of Default (NOD)

The document required to be sent to a borrower informing them of their rights and responsibilities upon the occasion of their loan entering default status. Default status occurs when a borrower has not met the terms of the note and/or trust deed.

OO

Owner Occupied.

Open End Credit

A debt that allows for the addition of principal within certain limits. Payments fluctuate in accordance with the change in principal balance.

Overage

The amount earned on a rate that is above par.

Owner Occupied

The owner (borrower) uses the property as his/her primary residence.

Owner's Policy

Policy of title insurance, typically paid for by the seller of the property, insuring the owner against loss by reason of defects, liens and encumbrances or lack of marketability of the title. Does not insure against exceptions listed on the policy.

Par

When the face value of the mortgage equals its selling price, and there are not discount points nor yield differentials.

Par Pricing

Pricing a loan such that the borrower does not pay discount points and the lender doesn't earn an overage.

Payment Shock

When a new housing payment materially increases from the current housing payment.

Perfecting Title

The process of clearing exceptions on a preliminary title report; such that the title is acceptable to the lender/investor.

Permanent Financing

Financing that is expected to be in place for more than a year.

Personal Property

Furniture, fixtures and equipment that is not attached real property.

Physical Depreciation

Decreased value due to actual deterioration of the improvements.

Piggy Back

A second mortgage closed in conjunction with a first mortgage.

PITI

See "Principal, Interest, Taxes and Insurance"

Planned Unit Development

Real estate project in which each unit owner has title to residential lot and building and a nonexclusive easement on the common areas of the project.

PMI

See "Private mortgage Insurance"

Power of Attorney

A legal document allowing one person to act on behalf of another.

PR

See "Preliminary Title Report"

Preliminary Title Report

A commitment from a title company for title insurance. Preliminary report details all liens, easements, defects, etc., recorded against a legally described parcel of improved or unimproved real property.

Premium Pricing

Pricing a loan above the par rate in order to secure additional funds for either the borrower or the lender.

Prepays

- a. Part of the total costs paid by the borrower to affect the closing of a mortgage loan, including the 900 and the 1000 series.
- b. Monies paid by the applicant in advance to start the mortgage loan process. Funds can be for credit checks, appraisal, application fees, lock fees, title searches, etc.

Prepayment Penalty

A clause in a note that requires a borrower to pay additional monies if a loan is paid off before a given time period.

Primary Residence

The property that a borrower resides in at least 6 months each year. Each applicant can have only one primary residence. If in doubt as to which home is the primary residence, use the address reported on IRS tax returns.

Principal, Interest, Taxes and Insurance

This term is often used to imply the entire total housing expense including payment for first and second liens (third, etc.); all insurances including hazard, flood and mortgage insurances; and homeowner association dues, if applicable.

Private Mortgage Insurance (PMI)

Mortgage insurance provided by a private agency (conventional loans) as opposed to government mortgage insurance (FHA loans.)

Processing (Loan Processing)

Some or all of the document gathering and processing of a mortgage loan package.

Prorate

To divide in proportionate shares.

PS

Pending Sale.

PUD

See “Planned Unit Development”

Qualify

The process used to determine if a borrower and the subject property meet lender and/or investor underwriting standards.

Qualifying Ratios

The income ratios used by an investor to determine if a borrower meets underwriting standards.

Quit Claim Deed

A deed used to transfer title by way of terminating, or “quitting” the current interest of the person/entity transferring title.

R

Rental

Rate and Term Refinance

Often used interchangeably with “no cash out” refinance. Refinance for the purpose of reducing the rate and/or the term of the first mortgage loan.

Ratio

The relation between two similar magnitudes with respect to the number of times the first contains the second. In mortgage lending it is often used to mean the qualifying ratios.

Real Estate Settlement and Procedures Act (RESPA)

A law enacted in 1974 to provide consumers with a better understanding of the home purchase and settlement process and to assist in reducing settlement costs.

Real Property

Land and anything that is permanently attached thereto.

Realtor

A person who is licensed to earn a commission by bringing buyers and seller of real estate together.

Refinance

A first mortgage loan on a property already owned by the borrowers; often used to pay off one or more outstanding liens.

Regulation B

The regulatory requirement that implements and enforces the Equal Credit Opportunity Act (ECOA).

Regulation Z

The regulatory requirement that implements and enforces the Truth in Lending Act (TILA).

Regulation X

The regulatory requirement that implements and enforces the Real Estate Settlement Procedures Act (RESPA).

Rescission

To cancel.

Residential

One to four family, owner occupied, second home and non-owner occupied.

Residential Mortgage Credit Report (RMCR)

A credit report that pulls information from at least two of the three repositories (Experian, Trans Union, Equifax). Credit, employment and address information is then updated. Additionally, public records are checked for judgments.

RESPA

See "Real Estate Settlement and Procedures Act"

Reverse Mortgage

Used for elderly people with substantial equity in a home, whereas the lender encumbers the property and disburses the proceeds by making monthly payments to the owner.

Revolving Debt

Debt that is open ended. Monthly payments fluctuate as a percentage of the outstanding principal balance.

Right of Way

Which one has the right to pass across the lands of another.

RMCR

See "Residential Mortgage Credit Report"

Rolling Lates

A term used to describe a condition wherein a borrower misses a payment yet continues to make monthly payments. Therefore, while their credit report may indicate 5x30, they may have only missed one payment.

Seasoned Mortgage

A mortgage that has been recorded for a specified amount of time, typically one full year.

Seasoning

- a. Ownership seasoning: When the mortgagor has owned the property for a specified amount of time, typically one full year.
- b. Mortgage seasoning: See Seasoned Mortgage above.

Second Home

An owner occupied, single family residence used exclusively by a borrower for some portion of each year.

Second Mortgage

A mortgage that is second in lien priority. Rates and terms of second mortgages are typically not as favorable as those of first mortgage loans.

Secondary Market

Broadly used to describe lenders, investors and agencies that purchase mortgage loans after the loan is closed.

Security Instrument

The legal document that is recorded and evidences the lender's interest. Usually a deed of trust or a mortgage.

Servicing

Managing the loan after closing, including, but not limited to, collection of payments, monitoring escrows, etc.

Servicing Release Premium

A fee, paid by brokers or other lenders, for payment of the servicing rights for a mortgage.

Settlement Statements

An itemization of costs incurred prepared at closing.

SFR

Single Family Residence.

Short Term Debt

Installment debt wherein the loan will be paid in full in less than a specified number of months, usually ten, if payments are made as scheduled.

Single Family Residence

Residential real estate used to house a single family.

Sole Proprietorship

A business entity owned by one person.

Stated Income

A type of loan wherein the lender accepts the income (for use in qualifying ratios) as stated by the borrower on the signed handwritten application with little or no verification.

Straw Borrower

A person(s) posing as a borrower for another party who is really purchasing the property in an effort to circumvent investor requirements. A form of fraud.

Streamline Refinance

The investor and/or insurer, within certain guidelines, will allow a refinance with no cash out less documentation than is usually required.

Subject Property

A term used to refer to the property for which the loan is being acquired.

Subordinate Lien (sub-lien)

Any lien against real property that has less, or subordinate priority to the first mortgage. Junior lien.

Sub-Prime

A mortgage loan that is not conforming; the applicants often have credit problems.

Sweat Equity

Contribution to the construction or rehabilitation of a property in the form of labor or services rather than cash.

Table Funding

The process in which a broker originated a mortgage loan and the lender funds the loan at the closing table (often subject to recording).

Third Party Originations

A process by which a lender uses the services of a broker, or other lender, for the purpose of partially or completely originating, processing, packaging, underwriting, closing, and/or funding a mortgage loan.

Time Share

A minimal interest in a property which allows for usage of said property for a given time period each year. A time-share needs not be used as security for a conventional or government mortgage loan.

Title Insurance

Insurance in which the title company agrees to pay up to a specified amount of money in case of losses incurred for defects, clouds, or claims against title of a legally described parcel of property.

Title Search

The process of searching public records to determine liens, encumbrances, and ownership facts regarding a specified parcel of real property.

Town Home

A structure that includes a living space taking up two or more stories. Often attached in a row of two or more units.

Trade Equity

Giving an item of value to a real property seller in exchange for all or some of the down payment.

Treasury Index

An index that is used to determine interest rate changes for certain adjustable rate mortgage plans. It is based on the results of actions that the U.S. Treasury holds for its treasury bills and securities or is derived from the U.S. Treasury's daily yield curve.

Triplex

A structure or property with three separate residential living spaces. May be attached or detached.

Truth in Lending Act

A law that was implemented as part of the Consumer Protection Act in 1968 and revised in 1980. The purpose was to assure meaningful disclosures of credit terms so that consumers could compare costs, terms and conditions of obtaining credit.

Twin Home

Two attached residential units with a common wall, wherein each unit sits on a different legal description and is sold and owned separately.

Underwriter

This person determines whether any given loan meets the eligibility requirements and the guidelines of the investor. They also analyze the overall risk of the borrower and the property for the lender.

Uniform Residential Appraisal Report (URAR)

Standardized report form required for most residential appraisals for first mortgage loans.

Uniform Residential Loan Application (URLA)

Also known as 1003.

Fannie Mae form number 1003; Freddie Mac form number 65; FHA form number 92900. This four page standardized form used to obtain information on borrowers applying for a residential home loan. It is used for Fannie Mae, Freddie Mac, FHA, VA and most other conventional loan applications. Many lenders refer to the form via the FNMA form number.

URAR

See "Uniform Residential Appraisal Report"

URLA

See "Uniform Residential Loan Application"

VA

The Department of Veteran's Affairs.

Verification of Deposit

Form used to verify an applicant's funds at a depository institution. Fannie Mae form number 1006 is most commonly used.

Verification of Employment

Form used to verify an applicant's current and previous employment. Fannie Mae form number 1005 is most commonly used.

Verification of Mortgage

Form used to verify an applicant's credit history and balance on a mortgage loan.

VOD

See "Verification of Deposit"

VOE

See "Verification of Employment"

VOM

See "Verification of Mortgage"

Warranty Deed

An instrument used to transfer or convey title by way of warranting current ownership in the property being transferred.

Yield Differential / Yield Spread Premium

An amount paid to the broker/seller of a first mortgage when the initial interest rate of the loan exceeds the investor's required yield for the commitment under which the mortgage was purchased.