

**Acceleration Clause** - A provision in a mortgage that gives the lender the right to demand payment of the entire outstanding balance if a monthly payment is missed.

**Adjusted Basis** - The original cost of a property plus the value of any capital expenditures for improvements to the property minus any depreciation taken.

**Adjustable Rate Mortgage** - A mortgage in which the interest rate is adjustable periodically according to a pre-selected index.

**Administrator** - A person appointed by a probate court to administer the estate of a person who died interstate.

**Affordability Analysis** - A detailed analysis of your ability to afford the purchase or re-finance of a home mortgage. The analysis takes into consideration your income, liabilities, and available funds, along with the type of mortgage you plan to use, the area where you want to purchase/refi a home, and the closing costs you might expect to pay.

**Amortization** - The gradual repayment of a mortgage by installments, calculated to pay off the obligation at the end of a fixed period time.

**Amortization Schedule** - A timetable for payment of a mortgage showing the amount of each payment applied to interest and principal and the balance remaining.

**Annual Percentage Rate (APR)** - The total cost of a mortgage stated as a yearly rate; includes such items as the base interest rate, loan origination fees, discount points, commitment fees, prepaid interest, and other credit costs that may be paid by the borrower.

**Appraisal** - A professional opinion or estimate of the fair market value of a property.

**ARM Loan** - An Adjustable Rate Mortgage loan the note rate of which is subject to periodic adjustment in accordance with pre selected index of the note.

**Assignment** - A clause which the seller transfers the mortgage to a new buyer.

**Assignment Document** - The document that transfers all the rights of the secured party pursuant to a security instrument to a transferee for the valid consideration and has been duly recorded in all places necessary to preserve the priority of the lien created by the security instrument.

**Balance Sheet** - A financial statement that shows assets, liabilities, and net worth as of a specific date.

**Balloon Mortgage (Note)** - Mortgage loan where the interest rate is a fixed rate for the full term of the loan. The payment is calculated over the full term of the loan; however, payoff of the loan is due at an earlier period.

**Balance Payment** - The final lump sum payment that is made at the maturity date of a balloon mortgage.

**Base Initial Note Rate** - The posted rates for Adjustable Rate Mortgage loans according to commitment expiration date used to establish the required net yield.

**Base Rate** - The posted rates for fixed 15 and 30-year mortgage loans according to the commitment expiration date used to establish the required net yield.

**Basis Points** - One-Hundredth of one percent is a Basis Point and 100 Basis Points equals one percent.

**BIF** - The Bank Insurance Fund as described in the Financial Institution's Reform, Recovery and Enforcement Act of 1989.

**Borrower** - The individual obligated to repay a mortgage.

**Buy-Down** - The money advanced by a builder, seller or other interested party to reduce the Borrower's scheduled payment during the five initial years on a mortgage loan.

**Call Option** - A provision in the mortgage that gives the mortgagee the right to call the mortgage due and payable at the end of a specified period for whatever the reason.

**Condominium Insurance** - Multi-peril insurance of required coverage covering the entire condominium project.

**Condominium Project** - Real estate including the separate ownership in fee or on a satisfactory leasehold estate of a particular residential unit with an invisible interest in the real estate designated for common ownership strictly by unit owners.

**Condominium Unit** - A single-family property within a condominium project.

**Conformed Copy** - A copy of the original document with a certification on its fact by the Seller stating certified to be true and correct copy of the original, which has been transmitted for recording.

**Conforming Mortgage**- A loan that does meet Fannie Mae, Freddie Mac guidelines, offers the best interest rates and best terms. Also, requires good credit, credit scores.

**Consumer Price Index (CPI)** The consumer price index is an indicator of the general level of prices. Components include energy, food, housing, clothing, transportation, medical care, and entertainment. When the consumer price index goes up, it is a sign of

an inflationary environment. Consumers have to pay more for the same amount of goods and services. Bond market typically moves downward in price.

**Converted Mortgage Loan** - An Adjustable Rate Mortgage loan with respect to which Borrower has applied with the applicable requirements of the note to convert the note rate to a fixed rate of interest and the servicer has processed such conversion.

**Convertible ARM** - An Adjustable Rate Mortgage that can be converted to a fixed rate at some point in the specified term of the loan.

**Covenant**- *an interest in the real estate of another*. Restricts or limits how the owner can use the real estate. *Example of a covenant*: Requirement that the real estate can be used only for residential purposes, Since this interest is of benefit to the grantor because it dictates control of the use of the real estate; therefore, it is an interest in the real estate of another. Covenants can either be in gross or appurtenant, though the term often used with covenants is *the running with the land*. Title cannot be lost if a covenant is breached-only damages or an injunction can be sought.

**Curtailment** - Any partial prepayment of principal on a mortgage loan which otherwise is current.

**Default** - Failure to make mortgage payments on a timely basis or to comply with other requirements of a mortgage.

**Delinquency** - A delinquency occurs on a mortgage loan when all or part of the Borrower's scheduled installment of principal, interest, and where applicable, escrows paid after the scheduled due date.

**Discount** - A charge to increase yield on a loan and to lower the interest rate.

**Discount Points** - A charge to increase the yield on the mortgage, and to lower the interest rate, a point is equal to one percent (1%) of the mortgage amount.

**Due Date** - The Borrower's scheduled installment requiring a payment of the entire mortgage and where applicable escrow is due as stated in the note.

**Easement(s)** - *a non-possessory interest*. Gives the right to a limited use of real estate. Easements are either in **gross** ( a personal right) or **appurtenant** (belonging to whomever owns the benefited real estate). Though most easements are expressed in writing, they can be simply implied. easements given to gas companies, oil companies, electric companies, municipalities.

**Escrow** - A system of document transfer in which a deed (or other property) is transferred to a third person to hold until all conditions in a contract are fulfilled.

**Escrow Account-** All funds collected by the seller, the servicer to cover expenses of the Borrower's required amount to be paid under the security instrument, including, without limitation, taxes, special assessments, ground rents, water, sewer, and other governmental impositions or charges that are or may become liens on the mortgage premises prior to that of the mortgage loan, as well as hazard insurance, flood insurance and mortgage insurance premiums.

**Fannie Mae** - FNMA, or Federal National Mortgage Association, authorized by congress to purchase loans and set forth underwriting guidelines for those loans insured by FNMA.

**FDIC** - The Federal Deposit Insurance Corporation.

**Fixed Rate Mortgage Loans** - Mortgage loans for which the interest rate is fixed (stays the same) for the term of the mortgage loan.

**Flood Insurance** - An insurance policy insuring against flood damage to the mortgage premises.

**Freddie Mac** - Federal Home Loan Mortgage Corporation authorized by congress to purchase loans, and set forth underwriting guidelines, for those loans insured by Freddie Mac.

**Ginnie Mae** - Government National Mortgage Association authorized by congress to purchase loans, and set forth underwriting guidelines, for those loans insured by Ginnie Mae.

**Government Related Secondary Markets-** Federal National Mortgage Association (FNMA or Fannie Mae), the Government National Mortgage Association (GNMA or Ginnie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac).

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

**Grantor** - The person conveying an interest in real property.

**Gross Margin** - With respect to each adjustable rate loan, the fixed percentage specified in the note that is added to the index on each interest rate change due to determine the new note for such Adjustable Rate Mortgage loans.

**Hazard Insurance** - A standard extended coverage hazard insurance policy insuring the mortgage premises against loss or damage from fire and other perils.

**HUD** - The United States Department of Housing and Urban Development.

**Index Value Date** - With respect to each Adjustable Rate Mortgage, the date on which the value of the index is determined for each interest rate.

**Initial Periodic Payment Cap** - With respect to any Adjustable Rate Mortgage loan, the maximum change allowable to the note rate on the monthly payment on the first payment change date.

**Initial Periodic Rate Cap** - With respect to any Adjustable Rate Mortgage loan, the maximum change allowable to the note rate on the first interest rate change date as set forth in the note.

**Insurance Policy** - Any policy for insurance required by this seller/servicer guide, including primary mortgage insurance, pool insurance, hazard insurance, flood insurance, title insurance, and condominium or HUD insurance.

**Insurance Proceeds** - Proceeds payable from an insurance policy to be paid directly to the tax and insurance reserve in the case of hazard, flood or title insurance or to the custodial principal and interest account in the case of mortgage insurance.

**Interest Cap** - A limit on the amount of interest that can be charged on an Adjustable Rate Mortgage loan, typically either one or two percent a year and six per-cent over the life of the loan.

**Interest Rate Change Date** - With respect to each Adjustable Rate Mortgage loan, the date on which the note rate may change in accordance with the terms of the note.

**Investor Properties** - A non-owner occupied property, generally income producing.

**Jumbo Loan** - A loan that exceeds Fannie Mae's legislated mortgage loan amount limits. Also referred to as a Non-Conforming Loan in some Difications.

**Limited Alternate Doc** - Type loan designed for a Borrower who only wants to prove cash flow due to the fact that the income is difficult to verify. Bank statement usually used to prove cash flow will be accepted. Limited documentation is required from the Borrower.

**Liquidation** - Application of payment to a mortgage loan which reduces the outstanding principal balance to zero.

**Liquidation Proceeds** - The amount paid to reduce to zero the balance of an outstanding principal of a mortgage loan.

**Loan-to-Value** - The percentage you get when the mortgage amount is divided by the appraised value of the home.

**Margin** - The difference between the index and the interest charges on an Adjustable Rate Mortgage.

**Maximum Lifetime** - With respect to each Adjustable Rate Mortgage loan, the interest rate set forth in a related note and the minimum note rate thereunder.

**Mortgage Insurance** - Primary mortgage insurance(PMI), if applicable, in pool insurance if obtained,this is charged to the borrower and typically added to the monthly payment on loans that are over 80% Loan To Value.

**Mortgage Loan** - Includes all the seller and servicer rights, title and interest in and to the mortgage loan including, without limitation, the mortgage loans documents, the servicer file, as well as all other material and information collected by the seller, the servicer in connection with the mortgage loan.

**Mortgage Premises** - Land and improvements thereon subject to the lien of a security instrument.

**Mortgage** -A security instrument used to secure the performance of some act, such as payment of money.

**Mortgagee**- Is the Lender or the one that takes,holds, or receives the mortgage.

**Mortgagor**- Is the borrower.

**Negative Amortization** - When monthly payments do not cover the cost of all the interest on the loan. This is uncommon in today's market, Most companies do not offer these type of mortgages.

**Non-Conforming Loan** - A loan which does not meet Fannie Mae, Freddie Mac guidelines. Typically these loans have less stringent guidelines and higher interest rates. Due to the higher risk associated with the loan.

**Officer** - An officer or principal or corporation or partnership, respectively, who is authorized to execute documents on behalf of its corporation or partnership.

**Origination Fee** - A charge for the origination of the loan.

**Owner Financing** - A property purchase transaction in which the property seller provides all or part of the financing. Also, referred to a "Contract for Deed".

**Owner-Occupied Property** - A one- to four-family unit property which is primarily residence of the owner of record.

**P&I** - Principal and interest of a mortgage payment

**PITI** - Principal, interest, taxes, and insurance.

**Par** - The best rate. Points are not received or paid.

**Pass-Through** - The effective net interest rate passed through on each mortgage loan to the master servicer by the servicer equal to the net rate, i.e., the note rate less the servicing fee.

**Payment Change Date** - With respect to each Adjustable Rate Mortgage loan, the date on which the Borrower's monthly payment changes in accordance with the terms of the note.

**Payment History Transcript** - A schedule showing all payments received during the prior 12 months (or longer) of principal and interest on a mortgage loan.

**Permitted Encumbrances** - Those encumbrances to the title to the mortgage premises specifically set forth as acceptable title exceptions such as easements, right of ways to gas companies, oil companies, cities, counties where the property is located.

**Points** - A point is equal to one percent of the principal amount of the mortgage, these are paid to reduce the interest rate. It is uncommon to pay points to obtain an Adjustable Rate Mortgage.

**Preliminary Title Report** - A report issued by the title insurance company in anticipation of issuing a title insurance policy which evidences liens and gives a preliminary opinion as to the absence of any encumbrance on the title to the mortgage premises except liens to be removed on or before purchase by the Borrower and permitted encumbrances.

**Price** - Is calculated and based on the differences between the required new yield and the net rate. The price is stated as a percentage rate and is used to calculate the purchase price.

**Private Mortgage Insurance (PMI)**- Insurance obtained from a mortgage insurer which provided compensation to a note holder in the event of a Borrower default under the note or the security instrument. This is required for the conforming loan that is over 80% Loan To Value.

**Primary Market** - Lenders who supply funds directly to borrowers bearing the risks as well as the benefits of long term financing by holding and servicing the mortgages until the obligations are discharged.

Lenders who sell their mortgages or borrow against them in the secondary market, then for a fee, service the loans on behalf of the secondary buyer.

Mortgage brokers who make or arrange mortgages on behalf of owners of real property for sale to the secondary market, or on behalf of private lenders, institutional lenders, or themselves.

**Primary Residence** - The principal and permanent residence of the Borrower.

**Proceeds Account** - A seller account which has debit and credit authorizations used for payments of purchase price and fees.

**Property Inspection Report** - A report required to be submitted by the servicer to the master servicer describing the mortgage premises.

**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.

**Secondary Mortgage market** - A secondary market exists when primary lenders and permanent lenders buy and sell existing mortgages. It is where credit instruments securing residential and other real estate loans are sold and resold after closing. The secondary market is where lenders can either obtain cash to replenish their supply of funds for lending purposes, or swap mortgages for mortgage backed securities to hold in their own portfolio, or sell to a capital market investor.

**Security Interest** - A written instrument creating a valid first lien on the mortgage premises.

**Seller** - An entity that has entered into a sales or servicing agreement and has sold either a property or a mortgage loan.

**Servicer** - An entity that has entered into a sales or servicing agreement and services mortgage loans.

**Servicer File** - The file required to be maintained by a servicer contains either copies or originals of all documentation related to a mortgage loan.

**Servicing Fee** - The portion of a Borrower's interest payment to a servicer is entitled to retain upon payment by the Borrower as compensation for administration of a mortgage.

**Single-Family Property** - Single-family property is a one- to- four-unit residential property.

**Stated Income or No Doc** - No documentation loan verification of the Borrower's monthly income is used as stated on 1003, or Application, along with the proof of business or employment. Used for the Borrower with hard to verify income, usually business owners.

**Submerged AdjustableRate Mortgage or Teaser** - Its current rate is lower than margin plus index.

**Tax and Insurance**, or (T&I Reserve) - An accounting maintained by the seller or servicer for the tracking a Borrower's escrow funds and insurance proceeds held in the custodial T&I account.

**Title Insurance Policy** - An American Land Title Association, or ALTA, mortgage loan title policy 1970 form or other form of title insurance policy acceptable to Fannie Mae or Federal Home Loan Mortgage Corporation.

**Transfer of Ownership** - Includes but is not limited to the conveyance of the mortgage premises or any right, title or interest in the mortgage premises whether legal or equitable, voluntary or involuntary.

**Transfer Tax** - State or local tax payable when title passes from one owner to another.

**Truth-in-Lending Act** - A federal law that requires lenders/brokers to fully disclose, in writing, the terms and conditions of a mortgage, including the APR and other charges.

**Variable Rate Mortgage** - A mortgage in which a pre-selected index is used to periodically adjust the interest rate.

**Unpaid Principal Balance** - The outstanding principal balance of a mortgage loan payable by the Borrower under the terms of the note.

**Wrap-Around Mortgage** - A mortgage that includes the remaining balance on existing first mortgage plus an additional amount requested by the mortgagor. Full payments on both mortgages are made to the wrap-around mortgagee, who then forwards the payments on the first mortgage to the first mortgagee.