COLORADO FIRST
REAL ESTATE AND MORTGAGE VOCABULARY

A

Abstract of the title
The history of the events that affect the chain of title to real estate.

Acceleration clause
A clause in your mortgage which allows the lender to demand payment of the outstanding loan balance for various reasons. The most common reasons for accelerating a loan are if the borrower defaults on the loan or transfers title to another individual without informing the lender.

Adjustable-rate mortgage (ARM)
A mortgage in which the interest changes periodically, according to corresponding fluctuations in an index. All ARMS are tied to indexes.

Amortization schedule
A table which shows how much of each payment will be applied toward principal and how much toward interest over the life of the loan. It also shows the gradual decrease of the loan balance until it reaches zero.

Annual percentage rate (APR)
This is not the note rate on your loan. It is a value created according to a government formula intended to reflect the true annual cost of borrowing, expressed as a percentage. Should be called lender's yield.

Application
The forms used to apply for a mortgage loan, containing information about a borrower's income, savings, assets, debts, and more.

Appraisal
A written opinion of the fair market value of a property, primarily based on an analysis of comparable sales of similar homes.

Appreciation
The increase in the value of a property due to changes in market conditions, inflation, or other causes.

Assessed value
The valuation placed on property by a public tax assessor for purposes of taxation.

Assignment
When ownership of your mortgage is transferred from one company or individual to another, it is called an assignment.

Assumable mortgage
A mortgage that can be assumed by the buyer when a home is sold. Usually, the borrower must "qualify" in order to assume the loan.

B

Balloon mortgage
A mortgage loan that requires the remaining principal balance be paid at a specific point in time. For example, a loan may be amortized as if it would be paid over a thirty year period, but requires that at the end of the tenth year the entire remaining balance must be paid.

Bill of sale
A written document that transfers title to personal property. For example, when selling an automobile to acquire funds which will be used as a source of down payment or for closing costs, the lender will usually require the bill of sale (in addition to other items) to help document this source of funds.

Biweekly mortgage
A mortgage in which you make payments every two weeks instead of once a month. The basic result is that instead of making twelve monthly payments during the year, you make thirteen. The extra payment reduces the principal, substantially reducing the time it takes to pay off a mortgage.

Bond market
Usually refers to the daily buying and selling of treasury bonds. Lenders follow this market intensely because as the yields of bonds go up and down, mortgage rates do approximately the same thing. That is why rates change daily, and in a volatile market can and do change during the day as well.

Bridge loan
Bridge loans are obtained by those who have not yet sold their previous property, but must close on a purchase property. The bridge loan becomes the source of their funds for the down payment.

Buy down

Usually refers to a fixed rate mortgage where the interest rate is "bought down" for a temporary period, usually one to three years (called a 2 - 1 or a 3 – 1 buy down). After that time and for the remainder of the term, the borrower's payment is calculated at the note rate. In order to buy down the initial rate for the temporary payment, a lump sum is paid and held in an account used to supplement the borrower's monthly payment. These funds usually come from the seller (or some other source) as a financial incentive to induce someone to buy their property. A "lender funded buy down" is when the lender pays the initial lump sum. They can accomplish this because the note rate on the loan (after the buy down adjustments) will be higher than the current market rate. One reason for doing this is because the borrower may get to "qualify" at the start rate and can qualify for a higher loan amount. Another reason is that a borrower may expect his earnings to go up substantially in the near future, but wants a lower payment now.

C

Cap

Adjustable Rate Mortgages have fluctuating interest rates, but those fluctuations are usually limited to a certain amount. Those limitations may apply to how much the loan may adjust over a six month period, an annual period, and over the life of the loan, and are referred to as "caps."

Cash-out refinance

When a borrower refinances his mortgage at a higher amount than the current loan balance with the intention of pulling out money for personal use, it is referred to as a "cash out refinance."

Certificate of deposit index

One of the indexes used for determining interest rate changes on some adjustable rate mortgages. It is an average of what banks are paying on certificates of deposit.

Certificate of Eligibility

A document issued by the Veterans Administration that certifies a veteran's eligibility for a VA loan.

Certificate of Reasonable Value (CRV)

Once the appraisal has been performed on a property for a VA loan, the Veterans Administration issues a CRV.

Chain of title

An analysis of the transfers of title to a piece of property over the years.

Clear title

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

Closing

This has different meanings in different states. In some states a real estate transaction is not consider "closed" until the documents record at the local recorders office. In others, the "closing" is a meeting where all of the documents are signed and money changes hands.

Closing costs

Closing costs are separated into what are called "non-recurring closing costs" and "pre-paid items." Non-recurring closing costs are any items which are paid just once as a result of buying the property or obtaining a loan. "Pre-paids" are items which recur over time, such as property taxes and homeowners insurance.

Cloud on title

Any conditions revealed by a title search that adversely affect the title to real estate. Usually clouds on title cannot be removed except by deed, release, or court action.

Co-borrower

An additional individual who is both obligated on the loan and is on title to the property.

Collateral

In a home loan, the property is the collateral. The borrower risks losing the property if the loan is not repaid according to the terms of the mortgage or deed of trust.

Combined loan to value (CLTV)

The percentage relationship between the total amount of all loans and the appraised value or sales price (whichever is lower). For example and 80% 1st and a 20% 2nd = a CLTV of 100%.

Common area assessments

They are charges paid to the Homeowners Association (HOA) by the owners of the individual units in a condominium or planned unit development (PUD) and are generally used to maintain the property and common areas.

Community property

In some states, especially the southwest, property acquired by a married couple during their marriage is considered to be owned jointly, except under special circumstances.

Comparable sales

Recent sales of similar properties in nearby areas and used to help determine the market value of a property. Also referred to as "comps."

Condominium

A type of ownership in real property where all of the owners own the property, common areas and buildings together, with the exception of the interior of the unit to which they have title.

Condominium conversion

Changing the ownership of an existing building (usually a rental project) to the condominium form of ownership.

Construction loan

A short-term, interim loan for financing the cost of construction. The lender makes payments to the builder at periodic intervals as the work progresses.

Contingency

A condition that must be met before a contract is legally binding. For example, home purchasers often include a contingency that specifies that the contract is not binding until the purchaser obtains a satisfactory home inspection report from a qualified home inspector.

Conventional mortgage

Refers to home loans other than government loans (VA and FHA).

Convertible ARM

An adjustable-rate mortgage that allows the borrower to change the ARM to a fixed-rate mortgage.

Cooperative (co-op)

A type of multiple ownership in which the residents of a multiunit housing complex own shares in the cooperative corporation that owns the property, giving each resident the right to occupy a specific apartment or unit.

Cost of funds index (COFI)

One of the indexes that is used to determine interest rate changes for certain adjustable-rate mortgages. It represents the weighted-average cost of savings, borrowings, and advances of the financial institutions such as banks.

Credit history

A record of an individual's repayment of debt. Credit histories are reviewed my mortgage lenders as one of the underwriting criteria in determining credit risk.

Creditor

A person or company to whom money is owed.

Credit Bureau

The 3 credit reporting agencies are; Transunion www.transunion.com, Equifax www.equifax.com, and Experian www.experian.com. Each bureau will give a borrower one free credit report a year; however they usually do not include the credit score.

Credit report

A report of an individual's credit history prepared by a credit bureau and used by a lender in determining a loan applicant's creditworthiness.

Credit Score (FICO)

Credit scores range form 250 – 900, higher is better. Mid 600's score is required for conforming loans. Each of the 3 credit bureaus gives their version of a score. Lenders often use the middle score.

D

Deed

A formal written instrument by which title to real property is transferred from one owner to another. The deed should contain an accurate description of the property being conveyed, should be signed and witnessed according to the laws of the State where the property is located, and should be delivered to the purchaser at closing day. There are two parties to a deed: the grantor and the grantee. (See also deed of trust, general warranty deed, quitclaim deed, and special warranty deed.)

Deed of Trust

Like a mortgage, a security instrument whereby real property is given as security for a debt. However, in a deed of trust there are three parties to the instrument: the borrower, the trustee, and the lender, (or beneficiary). In such a transaction, the borrower transfers the legal title for the property to the trustee who holds the property in trust as security for the payment of the debt to the lender or beneficiary. If the borrower pays the debt as agreed, the deed of trust becomes void. If, however, he defaults in the payment of the debt, the trustee may sell the property at a public sale, under the terms of the deed of trust.

Default

Failure to make mortgage payments as agreed. In the event of default, the mortgage may give the lender the right to accelerate payments, take possession and receive rents, and start foreclosure. Defaults may also come about by the failure to observe other conditions in the mortgage or deed of trust.

Deed-in-lieu

Short for "deed in lieu of foreclosure," this conveys title to the lender when the borrower is in default and wants to avoid foreclosure.

Depreciation

A decline in the value of property; the opposite of appreciation. Depreciation is also an accounting term which shows the declining monetary value of an asset and is used as an expense to reduce taxable income. Since this is not a true expense where money is actually paid, lenders will add back depreciation expense for self-employed borrowers and count it as income.

Discount points
Discount points usually refer to monies paid to permanently buy down the interest rate and are paid in addition to the loan origination fee. A "point" is one percent of the loan amount.

Down payment
The part of the purchase price of a property that the buyer pays in cash and does not finance with a mortgage.

Due-on-sale provision
A provision in a mortgage that allows the lender to demand repayment in full if the borrower sells the property that serves as security for the mortgage.

E

Earnest money deposit
A deposit made by the potential home buyer to show that he or she is serious about buying the house.

Easement
A right of way giving persons other than the owner access to or over a property.

Eminent domain
The right of a government to take private property for public use upon payment of its fair market value. Eminent domain is the basis for condemnation proceedings.

Encroachment
An improvement that intrudes illegally on another's property.

Encumbrance
Anything that affects or limits the fee simple title to a property, such as mortgages, leases, easements, or restrictions.

Equal Credit Opportunity Act (ECOA)
A federal law that requires lenders and other creditors to make credit equally available without discrimination based on race, color, religion, national origin, age, sex, marital status, or receipt of income from public assistance programs.

Equity
A homeowner's financial interest in a property. Equity is the difference between the fair market value of the property and the amount still owed on its mortgage and other liens.

Escrow
An item of value, money, or documents deposited with a third party to be delivered upon the fulfillment of a condition. For example, the earnest money deposit is put into escrow until delivered to the seller when the transaction is closed.

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

Eviction
The lawful expulsion of an occupant from real property.

Examination of title
The report on the title of a property from the public records or an abstract of the title.

Executor
A person named in a will and appointed by the court to administer an estate.

F

Fair Credit Reporting Act
A consumer protection law that regulates the disclosure of consumer credit reports by consumer/credit reporting agencies and establishes procedures for correcting mistakes on one's credit record.

Fair market value
The current value of a property.

Fannie Mae (FNMA)
The Federal National Mortgage Association, which is a congressionally chartered, shareholder-owned company that is the nation's largest supplier of home mortgage funds.

Fannie Mae's Community Home Buyer's Program
An income-based community lending model, under which mortgage insurers and Fannie Mae offer flexible underwriting guidelines to increase a low- or moderate-income family's buying power and to decrease the total amount of cash needed to purchase a home. Borrowers who participate in this model are required to attend pre-purchase home-buyer education sessions.

Federal Housing Administration (FHA)
An agency of the U.S. Department of Housing and Urban Development (HUD). Its main activity is the insuring of residential mortgage loans made by private lenders. The FHA sets standards for construction and underwriting but does not lend money or plan or construct housing.

Fee simple
The greatest possible interest a person can have in real estate.

FHA mortgages

A mortgage that is insured by the Federal Housing Administration (FHA). Along with VA loans, an FHA loan will often be referred to as a government loan.

First mortgage

The mortgage that is in first place among any loans recorded against a property. Usually refers to the date in which loans are recorded, but there are exceptions.

Fixed-rate mortgage

A mortgage in which the interest rate does not change during the entire term of the loan.

Float

The term used when an interest rate is not locked or guaranteed.

Flood insurance

Insurance that compensates for physical property damage resulting from flooding. It is required for properties located in federally designated flood areas.

Foreclosure

The legal process by which a borrower in default under a mortgage is deprived of his or her interest in the mortgaged property. This usually involves a forced sale of the property at public auction with the proceeds of the sale being applied to the mortgage debt.

401(k) / 403(b)

An employer-sponsored investment plans that allows individuals to set aside tax-deferred income for retirement or emergency purposes. 401(k) plans are provided by employers that are private corporations. 403(b) plans are provided by employers that are not for profit organizations.

401(k) / 403(b) loan

Some administrators of 401(k)/403(b) plans allow for loans against the monies you have accumulated in these plans. Loans against 401K plans are an acceptable source of down payment for most types of loans.

G

Good Faith Estimate (GFE)

The form in the loan application package that discloses to the borrower the estimated loan amount , interest rate, term and type of loan, closing costs, pre-paid charges and monthly payment. Borrower must sign and receive a copy with in 3 days of loan application

Government National Mortgage Association (Ginnie Mae)

A government-owned corporation within the U.S. Department of Housing and Urban Development (HUD). Created by Congress on September 1, 1968, GNMA performs the same role as Fannie Mae and Freddie Mac in providing funds to lenders for making home loans. The difference is that Ginnie Mae provides funds for government loans (FHA and VA)

Grantee

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

Grantor

The person conveying an interest in real property.

H

Hazard insurance

Insurance coverage in case of physical damage to a property from fire, wind, vandalism, or other hazards.

Home equity line of credit (HELOC)

A mortgage loan, usually in second position that allows the borrower to obtain cash drawn against the equity of his home, up to a predetermined amount.

Home inspection

A thorough inspection by a professional that evaluates the structural and mechanical condition of a property. A satisfactory home inspection is often included as a contingency by the purchaser.

Homeowners' association

An association that manages the common areas of a planned unit development (PUD) or condominium project. In a condominium project, it has no ownership interest in the common elements. In a PUD project, it holds title to the common elements.

Homeowner's insurance

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

HUD settlement statement

A document that provides an itemized listing of closing costs and prepaid items that are paid at closing. It is called a HUD because the form is printed by the Department of Housing and Urban Development (HUD). The HUD statement is also known as the "closing statement" or "settlement sheet."

I

Interest
A charge paid for borrowing money.

Interest only (I / O)
A loan that does not require principal reduction.

J

Joint tenancy
A form of ownership or taking title to property which means each party owns the whole property and that ownership is not separate. In the event of the death of one party, the survivor generally owns the property in its entirety.

Judgment
A decision made by a court of law. In judgments that require the repayment of a debt, the court may place a lien against the debtor's real property as collateral for the judgment's creditor.

Jumbo loan
A loan that exceeds Fannie Mae's loan limits, currently at $359,650. Also called a non-conforming loan.

L

Late charge
The penalty a borrower must pay when a payment is made in accordance with the provisions of the note.

Lease
A written agreement between the 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.

Lease option
An alternative financing option that allows home buyers to lease a home with an option to buy. Each month's rent payment may consist of not only the rent, but an additional amount which can be applied toward the down payment on an already specified price.

Legal description
A property description, recognized by law, that is sufficient to locate and identify the property.

Liabilities
A person's financial obligations. Liabilities include long-term and short-term debt, as well as any other amounts that are owed to others.

Lien
A legal claim against a property that must be paid off when the property is sold. A mortgage or first trust deed is considered a lien.

Life cap
For an adjustable-rate mortgage (ARM), a limit on the amount that the interest rate can increase or decrease over the life of the mortgage.

Liquid asset
A cash asset or an asset that is easily converted into cash.

Loan
A sum of borrowed money (principal) that is generally repaid with interest.

Loan origination
The process of obtaining new loans.

Loan servicing
After you obtain a loan, the company you make the payments to is "servicing" your loan. They process payments, send statements, manage the escrow/impound account, provide collection efforts on delinquent loans, ensure that insurance and property taxes are made on the property, handle pay-offs and assumptions, and provide a variety of other services.

Loan-to-value (LTV)
The percentage relationship between the amount of the loan and the appraised value or sales price (whichever is lower).

Lock
An agreement in which the lender guarantees a specified interest rate for a certain amount of time at a certain cost.

M

Margin
The difference between the interest rate and the index on an adjustable rate mortgage. The margin remains stable over the life of the loan. It is the index which moves up and down.

Mortgage
A legal document that pledges a property to the lender as security for payment of a debt, which is foreclosed through the courts..

Mortgage banker

A mortgage banker is generally assumed to originate and fund loans with their own money, which may then be sold on the secondary market. However, firms rather loosely apply this term to themselves, whether they are true mortgage bankers or simply mortgage brokers or correspondents.

Mortgage broker

A mortgage company that originates loans, then places those loans with a variety of other lending institutions with which they usually have pre-established relationships.

Mortgagee

The lender in a mortgage agreement.

Mortgage insurance (MI) or (PMI)

Insurance that covers the lender against some of the losses incurred as a result of a default on a home loan. Mortgage insurance is usually required in one form or another on all loans that have a loan-to-value higher than 80%. Mortgages above 80% LTV that call for "No MI" are usually a made at a higher interest rate. Instead of the borrower paying the mortgage insurance premiums directly, they pay a higher interest rate to the lender, which then pays the mortgage insurance themselves. Also, FHA loans and certain first-time homebuyer programs require mortgage insurance regardless of the loan-to-value.

Mortgagor

The borrower in a mortgage agreement.

N

Negative amortization (NEG AM)

Some adjustable rate mortgages allow the interest rate to fluctuate independently of a required minimum payment. If a borrower makes the minimum payment it may not cover all of the interest that would normally be due at the current interest rate. In essence, the borrower is deferring the interest payment, which is why this is called "deferred interest." The deferred interest is added to the balance of the loan and the loan balance grows larger instead of smaller.

No cash-out refinances

A refinance transaction which is not intended to put cash in the hand of the borrower. Instead, the new balance is calculated to cover the balance due on the current loan and any costs associated with obtaining the new mortgage. Also referred to as a "rate and term refinance."

No-cost loan

Many lenders offer loans that you can obtain at "no cost." You should inquire whether this means there are no "lender" costs associated with the loan, or if it also covers the other costs you would normally have in a purchase or refinance transactions, such as title insurance, escrow fees, settlement fees, appraisal, recording fees, notary fees, and others. These are fees and costs which may be associated with buying a home or obtaining a loan, but not charged directly by the lender. Keep in mind that generally the interest rate will be higher than if you obtain a loan that has normal costs, in which case the borrower will generally pay 2 or 3 times the normal cost over the life of the loan.

Note

A note is a promise to pay.

O

Origination fee

A lender fee charged to a borrower. It should not be confused with discount points, which are generally used to buy the interest rate down.

Owner financing

A property purchase transaction in which the property seller provides all or part of the financing.

P

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). Generally, the payment change date occurs in the month immediately after the interest rate adjustment date.

Periodic payment cap

For an adjustable-rate mortgage where the interest rate and the minimum payment amount fluctuate independently of one another, this is a limit on the amount that payments can increase or decrease during any one adjustment period.

Periodic rate cap

For an adjustable-rate mortgage, a limit on the amount that the interest rate can increase or decrease during any one adjustment period, regardless of how high or low the index might be.

Personal property

Any property that is not real property.

PITI

A mortgage payment that includes principal, interest, taxes and insurance.

Point

A point is one percent of the amount of the mortgage.

Power of attorney

A legal document that authorizes another person to act on one's behalf. A power of attorney can grant complete authority or can be limited to certain acts and/or certain periods of time.

Pre-approval

A loosely used term which is generally taken to mean that a borrower has completed a loan application and provided debt, income, and savings documentation which an underwriter has reviewed and approved. A pre-approval is usually done at a certain loan amount and making assumptions about what the interest rate will actually be at the time the loan is actually made, as well as estimates for the amount that will be paid for property taxes, insurance and others. A pre-approval applies only to the borrower. Once a property is chosen, it must also meet the underwriting guidelines of the lender. It is not a loan commitment.

Prepayment

Any amount paid to reduce the principal balance of a loan before the due date.

Prepayment penalty (PPP)

A fee that may be charged to a borrower who pays off a loan before it is due.

Pre-qualification

This usually refers to a written opinion of the ability of a borrower to qualify for a home loan, after the loan officer has made inquiries about debt, income, and savings. The information provided to the loan officer may have been presented verbally or in the form of documentation, and the loan officer may or may not have reviewed a credit report on the borrower. It is not a loan commitment.

Prime rate

The interest rate that banks charge to their preferred customers. Changes in the prime rate are widely publicized in the news media and are used as the indexes in some adjustable rate mortgages, especially home equity lines of credit. Changes in the prime rate do not directly affect other types of mortgages, but the same factors that influence the prime rate also affect the interest rates of mortgage loans.

Principal

The amount borrowed or remaining unpaid. The part of the monthly payment that reduces the balance of a mortgage.

Principal balance

The outstanding balance of principal on a mortgage.

Promissory note

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

Public auction

A meeting in an announced public location to sell property to repay a mortgage that is in default.

Purchase agreement

A written contract signed by the buyer and seller stating the terms and conditions under which a property will be sold. Only Realtors, lawyers, buyers and sellers may write a contract purchase agreement. Loan officers may not.

Purchase money transaction

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

Q

Quitclaim Deed

A deed which transfers whatever interest the maker of the deed may have in the particular parcel of land. A quitclaim deed is often given to clear the title when the grantor's interest in a property is questionable. By accepting such a deed the buyer assumes all the risks. Such a deed makes no warranties as to the title, but simply transfers to the buyer whatever interest the grantor has.

Qualifying ratios

Calculations that are used in determining whether a borrower can qualify for a mortgage. There are two ratios. The "top" or "front" ratio is a calculation of the borrower's monthly housing costs (PITI+MI+ HOA ÷ income should be ≤ to 28%). The "back" or "bottom" ratio, **also called DTI** includes housing costs as will as all other monthly debt (PITI+MI+HOA + debt ÷ income should be ≤ to 38%). However, in some cases the DTI could be 45% - 50%.

R

Real Estate Investment Trust (REIT)

An investment vehicle that allow small investors to invest in large Real Estate properties. It is like a mutual fund for real estate.

Real Estate Owned (REO)

When a property is foreclosed and title is given to the lender it is said to be an REO. Many lenders have REO departments that sell and manage these properties.

Real Estate Settlement Procedures Act (RESPA)
A consumer protection law that requires lenders to give borrowers advance notice of closing costs.

Real property
Land and appurtenances, including anything of a permanent nature such as structures, trees, minerals, and the interest, benefits, and inherent rights thereof.

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

Recording
The recording in the clerk and recorders office legal document, such as a deed, deeds of trust, a satisfactions Etc., thereby making it a part of the public record.

Repayment plan
An arrangement made to repay delinquent installments or advances.

Replacement reserve fund
A fund set aside for replacement of common property in a condominium, PUD, or cooperative project -- particularly that which has a short life expectancy, such as carpeting, furniture, etc.

Revolving debt
A credit arrangement, such as a credit card, that allows a customer to borrow against a pre-approved line of credit when purchasing goods and services. The borrower is billed for the amount that is actually borrowed plus interest due.

Right of first refusal
A provision in an agreement that requires the owner of a property to give another party the first opportunity to purchase or lease the property before he or she offers it for sale or lease to others.

S

Sale-leaseback
A technique in which a seller deeds property to a buyer for a consideration, and the buyer simultaneously leases the property back to the seller.

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

Secondary market
The buying and selling of existing mortgages, usually as part of a "pool" of mortgages.

Security
The property that will be pledged as collateral for a loan.

Seller contribution
Money that the seller pays at closing, to assist the buyer with down payment, closing costs and/or pre-paid charges. The amount of seller contribution is usually limited to 6% of the purchase price.

Subordinate financing
Any mortgage or other lien that has a priority that is lower than that of the first mortgage.

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

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

T

Tenancy in common
When there are two or more individuals on title to a piece of property, this type of ownership does not pass ownership to the others in the event of death.

Title
A legal document evidencing 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
Insurance that protects the lender (lender's policy) or the buyer (owner's policy) against loss arising from disputes over ownership of a property.

Title search
A check of the title records to ensure that the seller is the legal owner of the property and that there are no liens or other claims outstanding.

Transfer of ownership
Any means by which the ownership of a property changes hands. Lenders consider all of the following situations to be a transfer of ownership: 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 title passes from one owner to another.

Treasury index

An index that is used to determine interest rate changes for certain adjustable-rate mortgage (ARM) plans. It is based on the results of auctions that the U.S. Treasury holds for its Treasury bills and securities or is derived from the U.S. Treasury's daily yield curve, which is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market.

Truth-in-Lending (TIL)

A federal law that requires lenders to fully disclose, in writing, the terms and conditions of a mortgage, including the annual percentage rate (APR) and other charges. Borrower must sign and receive a copy with in 3 days of loan application

Two- to four-family property

A property that consists of a structure that provides living space (dwelling units) for two to four families, although ownership of the structure is evidenced by a single deed.

Trustee

A fiduciary that holds or controls property for the benefit of another.

U

Usury

Charging more than the maximum legally permitted rate of interest.

V

VA mortgage

A mortgage that is guaranteed by the Department of Veterans Affairs (VA).

Vested interest

Having the right to use a portion of a fund such as an individual retirement fund. For example, individuals who are 100 percent vested can withdraw all of the funds that are set aside for them in a retirement fund. However, taxes may be due on any funds that are actually withdrawn.

Veterans Administration (VA)

An agency of the federal government that guarantees residential mortgages made to eligible veterans of the military services. The guarantee protects the lender against loss and thus encourages lenders to make 100% LTV mortgages to veterans.

VIC

Stands for the 3 parts of a loan. Value, Income and Credit.

Y

Yield spread premium (YSP)

The monies paid to a loan broker by the lender on the back of the loan. The monies do not come from the borrower’s funds; they are a function of the interest rate charged and the yield in the secondary market.

Z

Zoning Ordinances

The acts of an authorized local government establishing building codes, and setting forth regulations for property land usage.