



Real Estate Terminology

101 Your Go-To
Glossary
for Common
Terms &
Definitions

GLOSSARY of TERMS¹

A

Adjustable mortgage loan

A mortgage instrument that allows maximum flexibility in selecting the terms under which interest rates and payments may be adjusted over the maturity of the loan. Includes adjustable rate mortgages, renegotiated rate mortgages, variable rate mortgages.

Adjustable Rate Mortgage (ARM)

A mortgage loan that allows the interest rate to be changed, usually based on an established index, at specific intervals over the maturity of the loan.

Agreement of Sale

Same or similar to “contract to purchase.” See “contract to purchase” under “mortgage.” All-inclusive deed of trust. Similar to a “wraparound mortgage.” (See also “wraparound mortgage.”)

Alternative Mortgage Instrument (AMI)

Any mortgage other than a fixed interest rate, level payment, amortizing loan. Includes variable rate mortgages, rollover loans, graduated payment mortgages, shared appreciation mortgages, adjustable rate mortgages, growing equity mortgages.

Amortization

Payment of a debt in equal installments of principal and interest, rather than interest only payments.

Annual cap

A limit on the amount of adjustment in the interest rate on an adjustable rate mortgage over a twelve-month period. Also called cap, payment cap.

Assignment

A transfer to another of any property, real or personal, or of any rights or estates in said property.

Assumable Loan

A mortgage loan that allows a buyer to undertake the preexisting obligation and liability of the loan, often with no change in loan terms.

Assumption of Mortgage

Agreement by a buyer to assume the liability under an existing loan secured by a mortgage or deed of trust. The lender usually must approve the new buyer in order to release the seller from liability.

B

Balloon Note

A loan calling for periodic payments which are insufficient to fully amortize the face amount of the note prior to maturity, so that a principal sum known as a “balloon” is due at maturity.

Balloon Payment

The final payment on a loan, when that payment is greater than the preceding installment payments and pays the loan in full.

Blanket Mortgage

A single mortgage covering more than one parcel of real estate, such as a mortgage covering all the lots of a builder in a subdivision. For this survey, the real estate covered by a blanket mortgage is considered one property.

Bridge Loan

A form of interim loan, generally made between a short-term loan and a permanent (long-term) loan, when the borrower needs to have more time before taking the long-term financing.

C

Cap

A limit placed on adjustments in adjustable rate mortgages to protect the borrower from large increases in the interest rate or the payment level.

Cash

Money or its equivalent (checks, banknotes, etc.). Certified historic structure. Same or similar to “historic structure.” (See “historic structure.”)

Chattel Mortgage

A pledge of personal property as security for a debt. Also called a security interest or financing statement.

Clear title

Also referred to as “free and clear”. (See “free and clear”.)

Collateral

Something pledged as security for a debt.

Commercial Bank

A financial institution authorized to provide a variety of financial services. Although commercial banks do make long-term mortgage loans, they have traditionally concentrated on short-term loans and are good sources for construction loans, home improvement loans, and second loans secured by home equity, and home equity lines of credit.

Community Development Area

An area defined by local authorities for government-assisted housing programs.

Community Land Trust

A community land trust is a private, non-profit organization whose goal is to acquire and hold land for the benefit of the community and to provide secure affordable access to land and housing for community residents.

Co-Mortgagor

One who signs a mortgage contract with another party or parties and is thereby jointly obligated to repay the loan.

Construction Loan

Short-term financing of real estate construction, also referred to as an “end loan,” generally followed by long-term financing. (See also “permanent mortgage;” “piggyback loan.”)

Contract of Sale

Same or similar to “contract to purchase.” (See also “contract to purchase” under “mortgage.”)

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Contract for Deed

Same or similar to “contract to purchase.” (See also “contract to purchase” under “mortgage.”)

Contract to Purchase

Same or similar to “mortgage.” (See “contract to purchase” under “mortgage.”)

Conventional Loan

A mortgage loan other than a VA loan or an FHA loan.

Cooperative

A building or development of two or more units in which the right to occupy a unit is obtained by the purchase of stock in the corporation which owns the building. The “owner” owns a share in the corporation, not the actual house or apartment. The “owner” does not have a deed. The “owner” may have taken a loan to purchase the stock, but will not have a mortgage on the unit. The mortgage, if any, covers the entire building or development and is an obligation of the corporation, not the individual “owner.”

Creative Financing

Any financing arrangement other than a traditional mortgage from a third-party lending institution. Includes loans from the seller, balloon payment loans, wraparound mortgages, assumable mortgages, sale leaseback, land contracts, etc.

Cushion

An amount of money, occasionally required by a lender, which is set aside to protect said lender against increases in expenses.

D

Deed of Trust

An arrangement among three parties: the borrower, the lender, and an impartial trustee. In exchange for a loan of money from the lender, the borrower places legal title to real property in the hands of the trustee who holds it for the benefit of the lender, named in the deed as the beneficiary. Same or similar to “mortgage.” (See “deed of trust” under “mortgage.”)

Deferred Payments

Payments to be made at some future date. (See “graduated payment mortgage.”)

Delayed Exchange

An exchange of property where the Exchangor relinquishes property before he acquires property. In other words, the property the Exchangor owns (called the “relinquished” property) is transferred first.

Demand Loan

A loan having no specific date for repayment but may be called by the lender at any time.

Detached House

A housing unit surrounded by free standing walls and generally seated on a separate lot.

Down Payment

Cash portion paid by a buyer from his/her own funds, as opposed to that portion of the purchase price which is financed.

E

Economic Development Area

An area defined by local authorities for government-assisted economic programs. End loan Same or similar to “construction loan.” See also “construction loan.”

Equity

The market value of real property, less the amount of existing liens. Equity build up is the reduction of principal on a mortgage or deed of trust by periodic payments, which increases (builds up) the difference (equity) between the property value and amount of the lien.

Equity Loan

Same or similar to “home equity line of credit.” See also “home equity line of credit” under “mortgage.”

Escrow Account

Account held by a lender for payment of taxes, insurance, or other periodic debts against real property. The property owner pays a portion of the yearly taxes, insurance, etc., with each monthly payment. The lender pays the tax bill from the accumulated funds. Also called “impound account” or “trust account.”

F

Fannie Mae

A private corporation that specializes in buying primarily FHA and Va loans. Formerly called the “Federal National Mortgage Association (FNMA).”

Federal Home Loan Bank Board

Former name for “Office of Thrift Supervision.” See also “Office of Thrift Supervision.”

Federal Home Loan Mortgage Corporation (FHLMC)

An organization that purchases conventional mortgage loans and sells securities based on pools of these loans. Also called “Freddie Mac.”

Federal Housing Administration (FHA)

An agency, within the U.S. Department of Housing and Urban Development, that administers loan programs, loan guarantee programs, and loan insurance programs designed to make more housing available.

Federal Savings Bank

A type of “savings and loan association.” (See also “savings and loan association.”)

FHA mortgage loan

A mortgage loan insured by the FHA. Since the 1930s, FHA has insured first mortgages enabling lenders to loan a very high percentage of the purchase price. See “Federal Housing Administration.”

Finance Company

A company that makes loans primarily for consumer purchases. Financing Borrowing money to buy something. Fire insurance Same or similar to “property insurance.” (See also “property insurance.”)

Fixed Payment Mortgage

A loan secured by real property which features a periodic payment of interest and principal that is constant over the term of the loan. All fixed payment mortgages are fixed rate mortgages, but some fixed rate mortgages may have variable payments, such as graduated payment mortgages (GPM).

Fixed Rate Mortgage

A loan secured by real property featuring an interest rate that is constant for the term of the loan.

Flexible Payment Mortgage (FPM)

A home-purchase loan plan that allows the borrower to pay interest-only for the first several years of the term. Monthly payments must be sufficient to cover interest on the principal, and after 5 years, payments must be sufficient to amortize the principal over the remaining term.

Foreclosure

A legal proceeding to extinguish all rights, title, and interest of the owner(s) of a property in order to sell the property to satisfy a lien against it.

Fraternal Organization

A society such as Moose, Shriners, Elks, Knights of Columbus, etc.

Freddie Mac

Same as “Federal Home Loan Mortgage Corporation.” (See also “Federal Home Loan Mortgage Corporation.”)

Free and Clear

Owning property free and clear is having title to a property without encumbrances; that is, free of liens. Also known as having “clear title” or “marketable title.”

G

General Partnership

A partnership made up of general partners, without special (limited) partners; that is, no partner's liability is limited.

Ginnie Mae

A federal association, working with FHA, that offers special assistance in obtaining mortgages, and purchases mortgages in a secondary capacity. Ginnie Mae's two main programs guarantee payments to investors in mortgage-backed securities, and absorb the write-down of low-interest rate loans that are used to finance low-income housing. Formerly known as the "Government National Mortgage Association (GNMA)."

Graduated Payment Mortgage (GPM)

A mortgage requiring lower payments in early years than in later years. Payments increase in steps until the installments are sufficient to amortize the loan. Allows for negative amortization in the early years.

Ground Rent

The rent paid on leased land. Same as "land rent."

H

Hazard Insurance

Same or similar to "property insurance." (See also "property insurance.")

Historic Structure

A building that is officially recognized for its historic significance and has special status under the 1976 Tax Reform Act which encourages rehabilitation and discourages demolition or substantial alteration of the structure.

Holder

Also the person or company which receives the financial payment or the mortgage either directly from the borrower or from a mortgage servicer.

Home Equity Line of Credit

See "home equity line of credit" under "mortgage."

Home Ownership

The state of living in a structure that one owns.

Housing and Urban Development (HUD)

A U.S. government agency responsible for the major federal housing programs, such as FHA insurance and community development programs.



Income Tax Credit

See “tax credit.”

Index

A statistic that indicates some current economic or financial condition. The term, payment, interest rate, or principal amount of a long-term loan may be adjusted periodically according to a specific index. The index and the manner of adjustment are generally stated in the loan contract.

Impound Account

Same or similar to “escrow account.” See also “escrow account.”

Installment Contract

Same or similar to “contract to purchase.” (See also “contract to purchase” under “mortgage.”)

Insurance

A practice or arrangement by which a company or government agency provides a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a premium. (See “property insurance;” “private mortgage insurance;” “insured mortgage;” “title insurance.”)

Insured Mortgage

A mortgage insured against loss to the mortgagee (lender) in the event of default. May be insured by FHA, VA, FmHA, or by a private insurance company.

Interest

Money charged for the use of money (principal).

Interest-Only Loan

A loan in which interest is payable at regular intervals until loan maturity (when the full loan balance is due.) Does not require amortization of loan principal.

Interest Rate

The percentage of an amount of money (principal) which is charged for its use for a specified time.

Interim Loan

Temporary financing, usually for construction; not a mortgage.

Investment Trust

Same or similar to “Real Estate Investment Trust.” See also “Real Estate Investment Trust.”

J

Joint Venture

An agreement between two or more parties who invest in a single business or property; similar to a limited partnership.

L

Land contract

a contract between the buyer and seller of real property in which the seller provides the buyer financing in the purchase, and the buyer repays the resulting loan in installments. Same or similar to “contract to purchase.” (See also “contract to purchase” under “mortgage.”)

Lender

A general term encompassing all mortgagees and beneficiaries under deeds of trust.

Level Payment Mortgage

A loan that requires the same payment each month (or other period) for full amortization.

Lien

A charge against property making it security for the payment of a debt, either voluntary or involuntary; for example, a mortgage.

Limited Partnership

One in which there is at least one partner whose liability is limited to the amount invested, and at least one partner whose liability extends beyond monetary investment.

Line of Credit

An agreement whereby a financial institution promises to lend a certain amount of money without the need to file another application. See “home equity line of credit.”

Loan

A lending of a principal sum of money to one who promises to repay the sum plus interest.

Low-Income Housing

Housing intended to be occupied by low- or moderate-income persons that is eligible for special tax credits under the 1986 tax act.

LTV (loan-to-value)

The relationship between the amount of money borrowed and the appraised value of the property.

M

Maturity

The due date of a loan.

Mortgage

Includes all forms of debt for which real property, that is, land and/or buildings, is given as security. Such security may be in one or more of the following:

- **First Mortgage:** A mortgage having priority over all other voluntary liens against the property. A first mortgage gives the lender a first claim against the owner's rights in the property if the owner fails to meet the required payments on the mortgage.
- **Second Mortgage:** A junior mortgage that ranks after a first mortgage in priority. Properties may have two, three, or more mortgages, deeds of trust, or land contracts, as liens at the same time. Legal priority would determine whether they are called a first, second, third, etc. lien.
- **Deed of Trust:** An instrument used in many states in place of a mortgage. The difference between a mortgage and a deed of trust is that a deed of trust involves a third party, known as the trustee, who has technical title to the property. Trust deeds, trusts, mortgage bonds, and vendor's liens are similar terms used in various parts of the country.
- **Contract to Purchase:** An arrangement for the sale of real estate whereby the buyer may use, occupy, and enjoy land, but no deed is given by the seller (and no title passes) until all or a specified part of the sale price has been paid. A purchaser who is buying the property by means of a contract to purchase may not consider himself/herself to be the owner since the seller actually has the title. However, for this survey, the purchaser is considered to be the owner. Contract for deed, land contract, purchase agreement, agreement of sale, and assumption agreement are similar terms used frequently in some areas of the country.
- **Home Equity Line of Credit:** Allows the property owner to borrow against the equity in the home from time to time without reapplying for a loan.

Mortgage Backed Security

A bond or other financial obligation secured by a pool of mortgage loans.

Mortgage Banker/Mortgage Company

A company providing mortgage financing with its own funds. Although the mortgage banker or company uses its own funds, these funds are generally borrowed and the financing is either short term or, if long term, the mortgages are sold to investors within a short time.

Mortgage Holder

An entity that holds (owns) mortgages or deeds of trust.

Mortgage Insurance

A policy that guarantees repayment to a lender of a mortgage loan in the event of default. (See "insured mortgage;" "FHA;" "VA;" "FmHA;" "private mortgage insurance.")

Mortgage Insurance Company

A company that insures, to lenders, conventional loan repayment in the event of default and/or foreclosure.

Mortgage Life Insurance

A term life insurance policy for the amount of the declining balance of a loan that is secured by a mortgage or deed of trust. This is not the same as mortgage insurance and should not be reported as such.

Mortgage Pool

A collection of loans of similar nature which are sold as a unit in the secondary market or used to back a security which is then sold in the capital markets.

Mortgage Servicing

Performing the necessary duties of a mortgagee, such as collecting payments, releasing the lien upon payment in full, foreclosing if in default, and making sure the taxes are paid, insurance is in force, etc. Servicing may be done, for a fee, by the lender or by a company acting for the lender.

Mortgagee

The lender.

Mortgagor

The borrower.

Mutual Savings Bank

An institution owned by its depositors and operated for their benefit. Most of these banks are in the northeastern United States and hold a large portion of their assets in home mortgage loans.

N

Negative Amortization

An increase in the outstanding balance of a loan resulting from the failure of periodic payments to cover required interest charged on the loan. Generally occurs during the first 5 to 10 years of the life of a graduated payment mortgage (GPM) and under indexed loans for which the applicable interest rate may be changed without affecting the monthly payments.

Nonresidential

Property designed for use by retail, wholesale, office, hotel, service, or other commercial use.

O

Office of Thrift Supervision (OTS)

The office within the Department of Treasury that charters and regulates federal savings and loan associations, as well as controlling the system of Federal Home Loan Banks. Formerly called the Federal Home Loan Bank Board.

Outstanding Balance

The amount currently owed on a loan.

P

Participation

Lender involvement in a development for a percentage of the gross sales or profit, as well as interest on the loan. Usually occurs when money is difficult to obtain.

Partnership

An agreement between two or more entities to go into business or invest. See also “general partnership;” “limited partnership;” “joint venture.”

Payment Cap

The maximum periodic payment a borrower may be charged on a contract or agreement. For example, an adjustable-rate mortgage may have a payment cap stating that a payment will not rise over a certain level, even if the formula used to calculate the payment would have it do so. Same as “cap.” (See also “cap.”)

Permanent Mortgage

A mortgage for a long period of time (over 10 years) in contrast to an interim loan or a construction loan. A permanent mortgage commitment is often needed before a construction loan can be arranged.

Piggyback Loan

A combination of the construction loan with the permanent loan commitment. Also, one mortgage held by more than one lender, with one lender having priority over the other(s).

Point

A point is one percent of the principal. Points are paid by the seller in FHA and VA insured loans, and by either the buyer or seller or both in conventional loans.

Prepayment Penalty Clause

A clause in a mortgage that requires the borrower to pay a fee for retiring a loan before it becomes due.

Primary Mortgage Market

The portion of the credit market that originates mortgage loans, including institutional lenders such as savings and loan associations, banks, and mortgage bankers.

Primary Residence/Second Home

A property is classified as a primary residence if it is the place where the owner lives most of the time. A second home is a residence that is not one’s principal (primary) residence; for example, a vacation home.

Principal

The amount of money raised by a mortgage or other loan, as distinct from the interest paid for its use. The amount of debt excluding interest.

Principal and Interest Payment (P and I)

A periodic payment, usually paid monthly, that includes the interest charges for the period plus an amount applied to amortization of the principal balance.

Principal, Interest, Taxes, and Insurance Payment (PITI)

The periodic (typically monthly) payment required by an amortizing loan that includes escrow deposits. Each periodic payment includes a principal and interest payment plus a contribution to the escrow account set up by the lender to pay insurance premiums and property taxes on the mortgaged property.

Private Mortgage Insurance

Default insurance on conventional loans provided by private insurance companies. (See “mortgage insurance.”)

Property

Property means real estate; that is, land and anything permanently affixed to the land, such as buildings and those things attached to the buildings, such as light fixtures, plumbing and heating fixtures, or other such items which would be personal property if not attached. A property may consist of a single-family house (attached or detached), a multifamily house, a condominium unit, a mobile home, an apartment building, or a group of apartment buildings. If a property is mortgaged, the property is all land and buildings covered by a single first mortgage.

If the property is not mortgaged, the land and buildings identified by the address in Item A on the survey questionnaire address label is the property.

Property Insurance

A form of insurance that protects real property against certain risks, such as from fires or storms; often called fire and hazard insurance. May include flood insurance. Does not include mortgage insurance or mortgage life insurance.

Property Tax

Taxes conditioned on ownership of property and measured by its value. Includes general property taxes related to property as a whole, real and personal, tangible or intangible, whether taxed at a single rate or at classified rates, and taxes on selected types of property, such as motor vehicles, or on certain or all intangibles.

Property Tax Relief

Amounts received distinctly as reimbursement for state-mandated tax relief programs which have resulted in foregone tax revenue. Includes payments under property tax relief, renters relief, and similar programs.

Purchase Agreement

Same or similar to “contract to purchase.” See also “contract to purchase” under “mortgage.”

Purchase Price

The amount of money paid for the property, including down payment and mortgage, but excluding closing costs and other fees.

R

Real Estate

A term that is generally synonymous with real property. See also “property.”

Real Estate Investment Trust (R.E.I.T.)

A real estate trust which sells shares of ownership and must invest in real estate or mortgages. If it meets certain requirements, it is exempt from corporate income tax. It distributes a minimum of 95 percent of its income to its shareholders.

Real Estate Tax

The total amount of all real estate taxes on the entire property (land and buildings) payable to all taxing jurisdictions, including special assessments, school taxes, county taxes, and so forth.

Refinancing

The substitution of an old loan(s) with a new loan(s) either with the same lender or with a different lender. Also, renewing an existing or a maturing loan with the same lender.

Reverse Annuity

A type of mortgage, designed for elderly homeowners with substantial equity, by which a lender periodically (monthly, for example) pays an amount to the borrower. The loan balance increases with interest and periodic payments, causing negative amortization. The loan, including accrued interest, is paid in full when the property is sold.

Rural Housing Service/Rural Development

An agency, within the U.S. Department of Agriculture, formerly called the Farmers Home Administration (FmHA). It administers assistance programs for purchasers of homes and farms in small towns and rural areas.

S

Savings and Loan Association (S and L)

An association chartered to hold savings and make real estate loans. Active in long-term financing (mortgages) rather than construction loans.

Second Home

A residence that is not one’s principal (primary) residence; for example, a vacation home. (See also “primary residence.”)

Second Mortgage

Similar to a “mortgage.” See “second mortgage” under “mortgage.”

Secondary Mortgage Market

The buying and selling of first mortgages or trust deeds by banks, insurance companies, government agencies, and other mortgagees. This enables lenders to keep an adequate supply of money for new loans. The mortgages may be sold at full value (par) or above, but are usually sold at a discount. The secondary mortgage market should not be confused with second mortgages.

Self-Amortizing Mortgage

One that will retire itself through regular principal and interest payments.

Servicing

Administering loans between the time of disbursement and the time the loan is fully paid off. Servicing includes collecting payments from the borrower, maintaining payment records, providing borrowers and investors with account statements, imposing late charges when the payment is late, and pursuing delinquent borrowers. Same as “mortgage servicing.” (See also “mortgage servicing.”)

Servicer

The entity that performs mortgage servicing.

Shared equity mortgage

A home loan in which the lender is granted a share of the equity in the property, there by allowing the lender to participate in the proceeds from resale. Shared equity plans often require the lender to buy a portion of the equity by providing a portion of the down payment.

Single-Family House

The single-family statistics include fully detached, semi detached (semi attached, side-by-side), row houses, and townhouses. In the case of attached units, each must be separated from the adjacent unit by a ground-to-roof wall in order to be classified as a single-family structure. Also, these units must not share heating/air-conditioning systems or utilities, such as water supply, power supply, or sewage disposal lines.

Single-family statistics do not include units built one on top of another and those built side-by-side that do not have a ground-to-roof wall and/or have common facilities (i.e., attic, basement, heating plant, plumbing, etc.).

Small Business Administration (SBA)

A federal agency authorized to make loans to small businesses, including loans for land purchase and construction. To be eligible, the borrower must have been refused the loan by a private lender.

Special Assessment

Compulsory contributions collected from owners of property benefited by special public improvements (street paving, sidewalks, sewer lines, etc.) to defray the cost of such improvements (either directly or through payment of debt service on indebtedness incurred to finance the improvements) and apportioned according to the assumed benefits to the property affected by the improvements.

Subject-To

Subject-to is short for 'subject to the existing financing'. You may also see it abbreviated to sub-to or sub-2. In layman's terms, you will buy the property by taking over the existing loan payments, instead of paying off the existing loan with financing or hard money.

Once you take over the payments the seller is able to move on. Now you'll be paying for the loan payments, insurance, taxes and any/all other associated costs of ownership.

Take Out Loan

The permanent (long term) financing of real estate after completion of construction. See "construction loan."

Tax and Insurance Escrow

An account required by some mortgage lenders to fund annual property tax assessments and hazard insurance premiums for the mortgaged property.

Tax credit, Tax depreciation, Tax relief

Tax incentive programs designed to encourage, stimulate, or subsidize the ownership of real estate.

Tax-free exchange

A transaction in which a property is traded for the promise to provide a replacement like-kind property in the near future. Sometimes referred to as a Section 103 exchange.

Term

The time during which principal and/or interest payments must be made. Generally the time needed to amortize the loan fully.

Terms

Conditions and arrangements specified in the mortgage contract, such as interest rate, required payments, etc.

Third Mortgage

A mortgage loan in which the amount of money lent is based on the value of the property. This will be the third in a series of mortgages, so it is subordinate to the other mortgages you have. That doesn't mean you can pay it off whenever. It simply means that the first and second mortgages will be paid off first. Similar to a "second mortgage." See also "second mortgage" under "mortgage."

Title Insurance

An insurance policy that protects the holder of the insurance; that is, the property owner, from loss sustained by defects in the title to the property. (Not mortgage insurance.)

Trust Account

Same or similar to “escrow account.” See also “escrow account.”

Trust Company

Same or similar to “commercial bank.” (See also “commercial bank.”)

U

Underlying Mortgage

Refers to the first mortgage when there is a wraparound mortgage. (See “wraparound mortgage.”)

V

VA Mortgage Loan

A form of mortgage insurance. Housing loans to veterans by banks, savings and loans, or other lenders are guaranteed by the U.S. Department of Veterans Affairs (formerly the Veterans Administration). This enables a veteran to buy a principal residence with little or no down payment.

Variable Interest Rate

An amount of compensation to a lender rate that is allowed to vary over the maturity of a loan. The amount of variation is generally governed by an index.

Variable Maturity Mortgage

A long-term mortgage loan under which the interest rate may be adjusted periodically. Payment levels remain the same but the loan maturity is lengthened or shortened to accommodate the adjustment.

Variable Payment Plan

Any mortgage repayment schedule that provides for periodic change in the amount of monthly payments. Changes may occur as a result of the expiration of an interest only period (flexible payment mortgage), a planned step-up in payments (graduated payment mortgage), or a change in the interest rate due to fluctuation in an index (variable or adjustable rate mortgage).

Variable Rate Mortgage (VRM)

A long-term mortgage loan applied to residential properties under which the interest rate may be adjusted on a 6-month basis over the term of the loan. Rate increases are restricted to no more than 1/2 point per year and 2 1/2 points over the term.

Veterans Administration (VA)/Veterans Affairs

An agency of the federal government that provides services for eligible veterans. See also “VA mortgage loan.”

W

Wraparound Mortgage

A loan arrangement in which an existing loan is retained and an additional loan is combined with the existing loan. The new lender accepts the obligation to make payments on the old loan. The existing loan generally carries an interest rate below the rate on new loans. Sellers are the most common wraparound lenders.



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