

GLOSSARY OF TERMS

Ability to Repay (ATR):** The ability to repay refers to an individual's financial capacity to make good on a debt. Specifically, the phrase "ability to repay" was used in the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act. It describes the requirement that mortgage originators substantiate that potential borrowers can afford the mortgage. This provision of Dodd-Frank is often called the ability to repay rule, and "ability to repay" is sometimes abbreviated ATR. Factors considered in the ability to repay include the borrower's income, assets, employment status, liabilities, credit history, and the debt-to-income ratio. As early as 2020, the CFPB was planning to eliminate the debt-to-income requirements.

Adjustable Rate Mortgage (ARM)*:** A mortgage loan that permits the lender to periodically adjust the interest rate on the basis of changes in a specified index.

Adjusted Basis: The original cost of a property plus the cost of any improvements less depreciation.

Adjustment Date: The date on which the interest rate changes for an adjustable rate mortgage (ARM).

Adjustment Period: The period that elapses between the adjustment dates for any adjustable rate mortgage (ARM).

Amortization: Gradual debt reduction. Normally, the reduction is made according to a predetermined schedule for installment payments.

Amortization Schedule*:** A timetable for payment of a mortgage that shows the amount of each payment that should be applied to interest and principal and the remaining unpaid principal balance after each payment is applied.

Amortization Term: The amount of time required to amortize the mortgage loan. The amortization term is expressed as a number of months. For example, for a 30-year fixed-rate mortgage, the amortization term is 360 months.

Annual Percentage Rate (APR): The cost of a mortgage stated as a yearly rate; includes such items as interest, mortgage insurance, and loan origination fee (points). Comparing the Annual Percentage Rates of different loans is regarded as a better way to gauge the overall cost of a loan than simply comparing rates because it takes all of these factors into consideration.

Applicant: One who applies for a real estate loan. (The prospective mortgagor.)

Application Fee: A fee that may be charged by a lender, mortgage broker or mortgage banker to accept a mortgage loan application.

Appraised Value: An opinion of value reached by an appraiser based upon knowledge, experience and a study of pertinent data.

Appraiser: An individual who is qualified to estimate the value of real and personal property.

Automated Underwriting System (AUS):** Automated underwriting is the process of evaluating the risk involved with a financial transaction, such as a bond issue, bank loan or insurance policy. Examples of common AUS systems are Fannie Mae's Desktop Underwriter® or Freddie Mac's Loan Product Advisor®.

Balloon Mortgage: A mortgage with periodic installments of principal and interest that do not fully amortize the loan. The balance of the mortgage is due in a lump sum at a specified date in the future, usually at the end of the term.

Balloon Payment: The unpaid principal amount of a mortgage or other long-term loan due on a specified date in the future. Usually the amount that must be paid in a lump sum at the end of the term.

Basis Point*:** 1/100 of 1 percent. For example, 7 ½ basis points equal .075 percent or .00075.

Borrower*:** The person to whom credit is extended. On a mortgage loan, the person who has an ownership interest in the security property, signs the security instrument, and signs the mortgage/deed of trust note (if his or her credit is used for qualifying purposes).

Cap: A restriction or limitation on the amount of adjustment in the interest rate payment amount or both on an ARM. Caps can be applied to each adjustment period and/or over the life of the loan. They help reduce borrower uncertainty and the severity of payment shock. Payment caps where no rate cap is in effect can result in negative amortization.

Capital Improvement: A permanent improvement to real property that increases its value and useful life.

Cash-out Refinance*:** A refinance transaction in which the money the borrower receives from the new mortgage exceeds the total amount needed to repay the existing first mortgage, closing costs, points and the amount required to satisfy any outstanding subordinate mortgage liens.

Certificate of Eligibility: A document issued by the federal government certifying a veteran's eligibility for a Department of Veterans Affairs (VA) mortgage.

Closing: The conclusion of the transaction. In real estate, closing includes the delivery of a deed, financial adjustments, the signing of the note and the disbursement of funds necessary to the sale of a loan transaction.

Closing Costs*:** Money paid by the borrower to effect the closing of a mortgage loan. This generally includes an origination fee, title exam, title insurance, survey, attorney's fees, prepaid items such as taxes and insurance escrow payments, and any discount points paid.

Closing Disclosure (CD)*: A form that provides the final details of the selected mortgage. It includes the loan terms, projected monthly payments, and lists all fees and other costs to get the mortgage (closing costs). The lender is required to give the borrower the Closing Disclosure at least three business days before the closing on the mortgage loan.

Co-borrower: A person who signs a promissory note along with the borrower. Contrast with endorser. See also non-occupant co-borrower.

Collateral: Property pledged as security for a debt, such as real estate as security for a mortgage.

Combined loan-to-value Ratio (CLTV):** A ratio used for a mortgage loan that is subject to subordinate financing, which is calculated by dividing the sum of (1) the original loan amount of the first mortgage, (2), the drawn portion (outstanding principal balance) of any HELOC from which the borrower has withdrawn funds, and (3) the unpaid principal balance of all other subordinate financing, by the lower of the property's sales price or appraised value.

Commitment: An agreement, often in writing, between a lender and borrower to loan money at a future date subject to compliance with stated conditions.

Conditions: Tasks that must be completed before a loan can be funded.

Condominium*:** A unit in a condominium each unit owner has title to his or her individual unit, an individual interest in the project's common areas, and, in some cases, the exclusive use of certain limited common areas.

Conforming Loan: A mortgage loan that is within the loan amounts and underwriting guidelines established by government sponsored entities (Fannie Mae and Freddie Mac) for mortgage loans being sold in the secondary market.

Construction Loan: A short-term loan intended to finance the cost of construction, usually of a house. The lender makes payments to the builder at periodic intervals as the work progresses.

Consumer Financial Protection Bureau (CFPB):** The CFPB is a regulatory agency charged with overseeing financial products and services that are offered to consumers. The CFPB is divided into several units: research, community affairs, consumer complaints, the Office of Fair Lending, and the Office of Financial Opportunity. These units work together to protect and educate consumers about the various types of financial products and services that are available.

Conventional Mortgage*:** A mortgage that is not insured or guaranteed by a federal government agency-the Federal Housing Administration (FHA), the Department of Housing and Urban Development (HUD), the Department of Veterans Affairs (VA), or Rural Development (RD). Conventional mortgages delivered to Fannie Mae must also be conforming mortgages.

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.

Co-signer: An individual who signs the mortgage note along with the borrower and is jointly liable with the borrower for characteristics.

Cost of Funds Index (COFI): An index that is used to determine interest rate changes for certain adjustable rate mortgage (ARM) plans. It represents the weighted-average cost of savings, borrowings and advances of the 11th District members of the Federal Home Loan Bank of San Francisco. See adjustable rate mortgage (ARM).

Credit Bureau/Repository: An organization that gathers, records, updates, and stores financial and public records information about the payment records of individuals who are being considered for credit. The three repositories are currently Transunion, Equifax and Experian.

Credit Rating: A rating given to a person or company to establish credit worthiness based upon present financial condition, experience and past credit history.

Credit Report: A report to a prospective lender on the credit standing of a prospective borrower, used to help determine credit worthiness.

Customer Relationship Management (CRM):** Customer relationship management refers to the principles, practices, and guidelines that an organization follows when interacting with its customers. From the organization's point of view, this entire relationship encompasses direct interactions with its customers, such as sales and service-related processes, forecasting, and the analysis of customer trends and behaviors. Ultimately, CRM serves to enhance the customer's overall experience. CRM is often used to refer to technology companies and systems that help manage external interaction with customers. Major areas of growth in CRM technology include software, cloud computing, and artificial intelligence.

Debt to Income Ratio (DTI)*: The percentage of gross monthly income that goes toward paying for your monthly housing expense, alimony, child support, car payments, and other installment debts, and payments on revolving or open-ended accounts such as credit cards.

Deed: A written document by which the ownership of land is transferred from one party to another.

Deed-In-Lieu: With the lender's approval, a borrower may transfer the deed to a property to the lender to satisfy a debt and avoid foreclosure. Also called a "voluntary conveyance or "deed-in-lieu of foreclosure".

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

Delinquency: Failure of the debtor to pay an obligation when due.

Desktop Originator®: A Fannie Mae application that connects brokers and other mortgage loan originators with loan underwriters, enabling them to originate mortgage loans more efficiently.

Desktop Underwriter®: Fannie Mae's automated underwriting system.

Down payment: The difference between the sales price of real estate and the mortgage amount.

Earnest Money Deposit: A deposit made by the potential homebuyer to show that he or she is acting in good faith about purchasing the house.

Equifax: A major, nationwide credit reporting bureau/repository.

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. For example, if the fair market value of your home is \$125,000 and your mortgage balance is \$119,000, then your equity equals \$6,000.

Escrow Account: An account set up by the lender into which the borrower makes periodic payments, usually monthly, for taxes, hazard insurance, assessments and mortgage insurance premiums. The funds are held in trust by the lender who pays the sums as they become due.

Escrow Payment: The portion of a borrower's monthly payment that is held by the servicer to pay for tax hazard insurance, mortgage insurance and other items as they become due. Known as "impounds" or "reserves" in some states.

Experian: A major, nationwide credit reporting bureau/repository

Fannie Mae: A congressionally chartered, shareholder-owned company that supports the secondary market in mortgages on residential property with mortgage purchase and securitization programs. - In early September 2008 both Fannie Mae & Freddie Mac were placed in conservatorship under the Federal Housing Finance Agency (FHFA) where they remain today

Fair Credit Reporting Act (FCRA): 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.

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

Freddie Mac: A private corporation authorized by Congress. It sells participant sales certificates secured by pools of conventional mortgage loans with the principal and interest guaranteed by the federal government through Freddie Mac. It also sells GNMA bonds to raise funds to finance the purchase of mortgages.

Fannie Mae: A tax-paying corporation created by Congress to support the secondary mortgage market. It purchases and sells residential mortgages insured by FHA and guaranteed by VA, as well as conventional home mortgages.

Feedback Certificate: The printed or printable document returned by Loan Product Advisor® AUS that details the results of the Loan Product Advisor AUS submission.

FHA Mortgage: A mortgage that is insured by the Federal Housing Administration (FHA). Also known as a government mortgage.

FICO Score (FICO®): A numerical score based on a system developed by Fair Isaac Company that uses the borrower's credit history and other factors to predict the creditworthiness of borrowers.

Fixed-rate Mortgages: A fixed-rate mortgage is a mortgage in which the interest rate and payments remain the same for the life of the loan.

Foreclosure: An authorized procedure taken by a mortgagee or lender, under the terms of a mortgage or deed of trust for the purpose of having the property applied to the payment of defaulted debt.

Freddie Mac: A congressionally chartered, shareholder-owned company that supports the secondary market in mortgages on residential and multifamily property with mortgage purchase and securitization programs. In early September 2008 both Fannie Mae & Freddie Mac were placed in conservatorship under the Federal Housing Finance Agency (FHFA) where they remain today

Fully Indexed Accrual Rate: The loan interest rate. It is the actual rate of interest accrual, independent of discounts, buydowns or other factors that may affect the payment rate. The fully indexed accrual rate is the sum of the index rate and the margin. Applicable to adjustable rate loans.

Government National Mortgage Association (GNMA): A government-owned corporation within the Department of Housing and Urban Development (HUD) that guarantees securities backed by mortgages that are insured or guaranteed by other government agencies. Also known as Ginnie Mae.

Government Sponsored Enterprise (GSE):** A government-sponsored enterprise is a quasi-governmental entity established to enhance the flow of credit to specific sectors of the American economy. Created by acts of Congress, these agencies, though privately held, provide public financial services. GSEs help facilitate borrowing for all sorts of individuals, from students to farmers to homeowners. GSEs do not lend money to the public directly; instead, they guarantee third-party loans and purchase loans in the secondary market, ensuring liquidity. GSEs also issue short- and long-term bonds that carry the implicit backing of the U.S. government, for example with the case of the mortgage issuers Fannie Mae and Freddie Mac.

Gross Loan to Value (GLTV): Original Loan amount plus the financed mortgage insurance by the property value (property value is the lower of the sales price or the current appraised value)

Home Equity Line of Credit (HELOC): A mortgage loan, which is usually in a subordinate position, that allows the borrower to obtain multiple advances of the loan proceeds at his or her own discretion, up to an amount that represents a specified percentage of the borrower's equity in a property.

Home Mortgage Disclosure Act (HMDA):** The Home Mortgage Disclosure Act (HMDA) is a federal act approved in 1975 that requires mortgage lenders to keep records of certain key pieces of information regarding their lending practices which they must submit to regulatory authorities. It was implemented by the Federal Reserve through Regulation C. The goal is to create greater transparency and borrower protections in the residential mortgage market. This data also allows regulators and analysts to monitor trends in housing and mortgage borrowing and lending.

Housing Expense Ratio: The percentage of gross monthly income that goes toward paying housing expenses. If you earn \$4,500 (gross) and your house expense is \$1,500, you have a 33% housing ratio (1,500 is one third of 4,500).

Index: An interest rate indicator used to determine changes in the mortgage interest rate. Any index that is beyond the control of the lender and easily verifiable by the borrower can be used. The maturity of the index chosen usually corresponds to the loan's adjustment interval. Some commonly used indexes include: 6-month Treasury Bill rates, and 1, 3, and 5-Year Treasuries and now the SOFR or Secured Overnight Financing Rate.

In-file Credit Report: A report issued by only one of the three credit repositories that contains an individual credit history.

Installment Loan: Borrowed money that is repaid in equal payments, known as installments. A car loan is often paid for as an installment loan.

Insured Mortgage: A mortgage that is protected by the Federal Housing Administration (FHA) or by private mortgage insurance (MI). If the borrower defaults on the loan, the insurer must pay the lender the lesser of the loss incurred or the insured amount.

Interest: Consideration in the form of money paid for the use of money, usually expressed as an annual percentage. Also, a right, share or title of property.

Interest Rate Cap: The Freddie Mac Weekly Primary Mortgage Market Survey Rate for 30-year fixed-rate conforming Mortgages in effect as of the preparation date of the modification, rounded down to the nearest one eighth of one percent (1/8%). The Freddie Mac Weekly Primary Mortgage Market Survey Rate is available on FreddieMac.com.

Interest Rate Ceiling: For an adjustable rate mortgage (ARM), the maximum interest rate, as specified in the mortgage note.

Interest Rate Floor: For an adjustable rate mortgage (ARM), the minimum interest rate, as specified in the mortgage note.

Investment Property: A 1 to 4-unit residential property, other than a primary residence or second home, that is:

- Owned by an individual who is also a borrower
- Suitable for year-round rental and occupancy

Investor: The holder of a mortgage or the permanent lender for whom the mortgage banker services the loan. Any person or institution that invests in mortgages.

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 mortgage loan that exceeds the legislated purchase limits of Fannie Mae and Freddie Mac. Also called a non-conforming loan.

Leasehold Estate: A way of holding title to a property wherein the mortgagor does not actually own the property but rather has a recorded long-term lease on it.

Legal Description: A property description, acceptable by real estate law, that is sufficient to locate and identify the property without oral testimony.

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.

Lifetime Payment 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. See cap.

Lifetime Rate 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 loan. See cap.

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

Liquidity: The ability of an individual or business to quickly convert assets into cash without incurring a considerable loss.

Loan Estimate*: A written statement from the lender itemizing the approximate costs and fees for the mortgage. A lender is required to provide potential borrowers with a loan estimate within three business days of receiving a loan application.

Loan Level Price Adjustment (LLPA): A loan-level pricing adjustment (LLPA) is a risk-based fee assessed to mortgage borrowers using a conventional mortgage. Loan-level pricing adjustments vary by borrower, based on loan traits such as loan-to-value (LTV), credit score, occupancy type, and number of units in a home. Borrowers often pay LLPAs in the form of higher mortgage rates.

Loan Origination System (LOS):** A typical mortgage loan origination system supports end-to-end loan production processed from lead to closing. Currently there are hundreds of different LOSs lenders can choose from use to automate the mortgage process.

Loan Product Advisor Key Number: A unique number assigned to a mortgage by Loan Product Advisor when the mortgage is first submitted to Loan Product Advisor AUS. The key number is returned to the seller on the Feedback Certificate and is used by the seller and Freddie Mac to identify an individual mortgage. The LP Key number is required for delivery of all AUS evaluated loans to Freddie Mac.

Loan-to-Value Ratio (LTV): The relationship between the amount of the mortgage loan and the appraised value of the security expressed as a percentage of the appraised value.

Margin: The amount or percentage added to the index at each adjustment to determine the borrower's new interest rate. Margins are generally fixed for the term of the loan and are based on the lender's estimated expenses and profit goals.

Market Value: The highest price that a buyer, willing but not compelled to buy, would pay and the lowest a seller, willing but not compelled to sell, would accept.

Merged Credit Report: Information issued by one credit reporting company that receives credit history information from more than one credit repository and combines all of it into one concise format. May be individual or joint.

Modification: The act of changing any of the terms of the mortgage by agreement between the borrower and the note holder.

Monoline Insurance: provides guarantees to issuers that enhance the credit of the issuer. These insurance companies (Genworth MI) provide credit enhancement for mortgage backed securities and collateralized debt obligations.

Mortgage: A legal document that pledges a property to the lender as security for payment of a debt.

Mortgage-Backed Securities (MBS): An investment instrument that represents ownership of an undivided interest in a group of mortgages. Principal and interest from the individual mortgages are used to pay principle and interest on the MBS.

Mortgage Banker:** A mortgage banker is a company, individual or institution that originates mortgages. Mortgage bankers use their own funds, or funds borrowed from a warehouse lender, to fund mortgages. After a mortgage is originated, a mortgage banker might retain the mortgage in portfolio, or they might sell the mortgage to an investor. Additionally, after a mortgage is originated, a mortgage banker might service the mortgage, or they might sell the servicing rights to another financial institution. A mortgage banker's primary business is to earn the fees associated with loan origination.

Mortgage Broker:** An individual or company that brings borrowers and lenders together but does not use their own funds to originate mortgage loans. Mortgage brokers typically require a fee or a commission for their services.

Mortgagee: The lender in a mortgage agreement.

Mortgage Insurance Premium (MIP): The amount paid by a borrower for mortgage insurance, either to a private mortgage insurance (MI) company, such as Genworth or to a government agency such as the Federal Housing Administration (FHA).

Mortgage Life Insurance: A type of term life insurance paid by borrowers. The amount of coverage decreases as the principal balance declines. In the event that the borrower dies while the policy is in force, the debt is automatically satisfied by insurance proceeds.

Mortgage Loan Originator (MLO):** A person who solicits builders, brokers, realtors and others to obtain applications for mortgage loans. Typically, MLOs are either licensed or registered with the NMLS or Nationwide Mortgage Licensing System.

Mortgagor: One who borrows money, giving as security a mortgage or deed of trust on real property.

Negative Amortization: A gradual increase in mortgage debt that occurs when the monthly payment is not large enough to cover the full amount of interest due. The amount of the shortfall is added to the remaining balance to create “negative” amortization.

Nationwide Mortgage Licensing System and Registry (NMLS):** A centralized, online, finance industry licensing database that can be accessed by regulatory agencies throughout the country.

Non-Occupant Co-Borrower: A non-occupant co-borrower is someone who applies for a loan with another person, but they do not intend to live in the property. An example is a young couple buying a home that needs their parents as co-signers in order to qualify. The parents, since they are not going to live in the home, are non-occupant co-borrowers.

Note: A legal document that obligates a borrower to repay a mortgage loan at a stated interest rate during a specified period of time.

Note Rate: The interest rate stated on a mortgage note.

Notice of Default: A formal written notice to a borrower that a default has occurred and that legal action may be taken.

Origination Fee: A fee paid to a lender for processing a loan application. The origination fee may be stated in the form of points. One point is 1% of the mortgage amount.

Owner-occupied property: A property that serves as the borrower’s primary residence.

Paid Outside of Closing (POC): A reference typically on the CD or closing disclosure indicating an item has been paid outside of the closing or paid in advance.

Payment Rate: The interest rate on which the monthly payment is based. The payment rate may differ from the actual loan interest rate. For instance, the interest rate on the loan may be 14% while the payment rate is 12%.

Payment Shock: Borrower’s difficulty in coping with frequent and/or large payment increases. Often associated with ARM’s having teaser rates.

PITI - Principal, Interest, Taxes and Insurance: An acronym for the items included in a monthly mortgage payment. The tax and insurance portion may be adjusted to reflect adjustments in the taxes and insurance costs.

PITIA Payment: The monthly payment that must be used to calculate the Target Payment that consists of: •A modified monthly principal and interest payment •Monthly pro rata amount for real estate taxes, plus applicable monthly Escrow cushion •Monthly pro rata amount for property and flood insurance, if applicable, plus applicable monthly Escrow cushion •Monthly pro rata amount of Homeowner's Association/condominium fees.

Planned Unit Development (PUD): A PUD is a thorough development plan for a large area of land. A PUD usually includes residences, roads, schools, recreational facilities, commercial, office and industrial areas. Also, a subdivision's common areas are reserved for the use of some or all of the owners of the separately owned lots.

Point: An amount equal to 1 percent of the principal amount of investment. Loan discount points are a one-time charge assessed at closing by the lender to increase the yield on the mortgage loan to a competitive position with other types of investments.

Point of Sale (POS): Point of sale software tools help loan originators automate redundant and frustrating tasks to save time and increase borrower satisfaction

Predatory Lending: Making unaffordable loans based on the assets of the borrower rather than the borrower's ability to repay. Inducing a borrower to refinance a loan repeatedly in order to charge high points and fees each time the loan is refinanced ("loan flipping"). Engaging in fraud or deception to conceal the true nature of the loan origination from an unsuspecting or unsophisticated borrower.

Prepaid Interest: Mortgage interest that is paid in advance of when it is due in order to obtain tax advantages.

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

Principal Balance: The outstanding balance of a mortgage, exclusive of interest and any other charges.

Private Mortgage Insurance (PMI): An insurance contract written by a private corporation that protects a portion of the loan to the mortgagee against losses that might occur in the event of default and/or foreclosure on conventional loans.

Product Pricing Engine (PPE): A product pricing engine is a software platform that mortgage loan origination teams use to calculate pricing options. Many pricing engines also generate loan price scenarios for borrowers to view their various rate options. They can check loan rates across investors and also lock rates for borrowers as well as compare MI pricing.

Purchase and Sale Agreement/Purchase Contract: A written contract signed by the buyer and seller stating the terms and conditions under which a property will be sold.

Qualified Mortgage (QM):** A Qualified Mortgage (QM) is a mortgage that meets certain requirements for lenders protection and secondary market trading under the Dodd-Frank Wall Street Reform and Consumer Protection Act, a significant piece of financial reform legislation passed in 2010. By creating greater incentives for offering higher quality mortgage loans in both the primary and secondary markets, the goal of the Act was to lower the overall risk that mortgages create in the greater financial system. To be eligible for a qualified mortgage, borrowers must meet certain requirements; these requirements are meant to determine a borrower's ability to repay their mortgage

Real Estate Settlement Procedures Act (RESPA):** The Real Estate Settlement Procedures Act, or RESPA, was enacted by Congress to provide homebuyers and sellers with complete settlement cost disclosures. The Act was also introduced to eliminate abusive practices in the real estate settlement process, to prohibit kickbacks, and to limit the use of escrow accounts. RESPA is a federal statute now regulated by the [Consumer Financial Protection Bureau](#) (CFPB).

Refinancing: The repayment of a debt from the proceeds of a new loan using the same property as security.

Reserves: Verified liquid assets remaining after the borrower pays down payment, closing costs and prepaid items.

Sales Concessions: Items that are paid for or given by a seller to induce a prospective buyer to purchase properly.

Second Home: One-unit property owned by an individual, occupied by the borrower for some portion of the year and not subject to any timesharing ownership arrangement. The property must be in a location where it can function reasonably as a second home.

Secondary Financing: Financing real estate with a loan or loans that are subordinate to a first mortgage or first trust deed.

Secondary Mortgage Market: A system in which existing mortgages are bought and sold. It contrasts with the primary mortgage market where mortgages are originated. Fannie Mae and Freddie Mac are common investors in the secondary market.

Secured Overnight Financing Rate (SOFR):** The secured overnight financing rate, or SOFR, is an interest rate that banks use to price U.S. dollar-denominated derivatives and loans. The daily SOFR is based on transactions in the Treasury repurchase market, where investors offer banks overnight loans backed by their bond assets.

Self-employed Borrower*:** Applicant who owns 25 percent or more interest in a business.

Servicing: The collection for an investor of payments of interest, principal and trust items, such as hazard insurance and taxes, on a note by the borrower in accordance with the terms of the note. Servicing also consists of operational procedures covering accounting, bookkeeping, insurance tax records, loan payment follow-up, collections, delinquency reporting and payoffs.

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

Teaser Rate: A heavily discounted initial rate designed to make ARM's more attractive to prospective homebuyers. Such rates are generally in effect only during the first six months to one year of the loan, after which the interest rate increases, sometimes dramatically. Teaser rates tend to increase the severity of payment shock. (Also called Discounted Interest Rates.)

Third Party Originator (TPO):** A third-party mortgage originator is any third-party that works with a lender to originate a mortgage loan. Third-party mortgage originators may include any person or company actively engaged in the marketing of mortgages, gathering information for mortgage applications, underwriting mortgages, or funding of mortgage loans. Lenders may rely on the services of third-party mortgage originators for various reasons. Some third-party mortgage originators facilitate online lending by offering lenders customized technology platforms and applications. Using the services of a third-party mortgage originator can also reduce underwriting costs.

Title: A legal document evidencing a person's right to own or ownership of a property.

Title Company: A company that specializes in examining and insuring titles to real estate.

Title Insurance Policy: A contract by which the insurer, usually a title insurance company, agrees to pay the insured a specific amount for any loss caused by defects of title to real estate, wherein the insured has an interest as purchaser, mortgagee or otherwise.

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 claims outstanding.

Trans-Union: One of three major, nationwide credit reporting bureaus/repositories.

Underwriter: The individual(s) who evaluate a loan application to determine the risk involved for the lender and generally will make the loan decision.

Underwriting: The analysis of risk and the matching of it to appropriate terms of the loan.

Uniform Residential Appraisal Report (URAR/1004//70): A type of appraisal report used for conventional loans for a single-family property completed by a licensed or certified real estate appraiser. Used to help determine the value of the property being purchased or refinanced.

Uniform Residential Loan Application (URLA/1003/65)*: A standard mortgage application your lender will ask a borrower to complete. The form requests borrower income, assets, liabilities, and a description of the property the borrower plans to buy, among other things.

US Department of Housing Urban Development (HUD):** The Department of Housing and Urban Development (HUD) is a U.S. government agency created in 1965 to support the housing market and homeownership. HUD does this by [improving affordable homeownership opportunities](#), increasing safe and affordable rental options, reducing chronic homelessness, fighting housing discrimination by ensuring equal opportunity in the rental and purchase markets and supporting vulnerable populations.

VA (US Department of Veterans Affairs): 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 mortgages to veterans.

Verbal Verification of Employment/Pre-closing Verification (VVOE/PCV): A verbal confirmation of the borrower's employment, typically completed within 10 business days of loan closing.

Verification of Deposit (VOD): A form sent to a depository to confirm the borrower's account balance and history.

Verification of Employment (VOE): A form sent to the borrower's employer to confirm the borrower's employment history and income.

Verification of Mortgage (VOM): A form sent to the borrower's current mortgage holder to verify their payment history and outstanding balance.

Wholesaler: A lender who purchases mortgages that a mortgage broker or correspondent completely or partially originated, versus working directly with consumers.

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