Loan Signing Definition Crash Course

Borrower (Mortgagor) An individual who applies for and receives funds in the form of a loan and is obligated to repay the loan in full under the terms of the loan.

Title

Title is the document that gives evidence of ownership of a property. Also indicates the rights of ownership and possession of the property. Individuals who will have legal ownership in the property are considered “on title” and will sign the mortgage and other documentation

Refinancing

The process of paying off one loan with the proceeds from a new loan secured by the same property.

Escrow Company

An escrow company is a licensed neutral third party that distributes legal documents and funds on behalf of a buyer and seller. Or more simply stated, they are the middle man. They are the authority to make sure that the seller, lender, and borrower all follow through on their agreed upon terms. The seller doesn't get any less than what they agreed upon and buyer doesn't pay any more than what they agreed upon. The same goes between the borrower and bank. The bank agreed to only charge the borrower ‘x’ fees and escrow makes sure of that. Escrow is the neutral third party to make sure everyone behaves. Their role is to keep track of what is going on between the borrower and the lender and title company. Escrow keeps records of what is going on between on all the parties.

Escrow Agent

A person with fiduciary responsibility to the buyer and seller, or the borrower and lender, to ensure that the terms of the purchase/sale or loan are carried out.

Title Company

The title company makes sure that a piece of real estate is legitimate, then issues title insurance for that property that protects both the lender and the owner from lawsuits as a result of title disputes. Their main responsibilities in a mortgage transaction is to accurately record liens, lien holders and ownership to the property in the transaction. The title company’s role is to be in charge of anything that is being recorded against the property. Lastly, their job is to make sure all the liens, ownership and lien holders are recorded with the county the property resides in.

Title Insurance

Title insurance protects a lender against any title dispute that may arise over a particular property. It is required to close on your home. You may also purchase owner's title insurance which protects you as the homeowners.

Lender

The lender is the bank that is lending the money. The lender has the biggest role in the process, because without them lending the money, there would be no need for a title or escrow company. This is the reason why the majority of the documents in your loan signings are lender documents.

Deed of Trust & Rider

The deed of trust, also known as the mortgage in some states, has 5 main functions:

1. It records who actually owns the property: e.g. Jane Doe and John Doe, husband and wife as joint tenants
2. It records the amount the borrower is borrowing from the bank, also known as the lien amount.
3. It records who is lending the money, also known as the lien holder.
4. It records the legal description of the property. We all know the street address to a property. E.g. 123 Springdale Avenue. The legal description is how the county recognize the property location via the lot boundaries and lot location within the county.
5. Last but not least, it states the rules and regulations in which the property owner has to abide by.

Riders are simply amendments to the deed of trust. Something the lender wants to add to the deed. As an example, you may see a VA rider letting everyone know that it is a VA loan. Riders are just amendments that get recorded with the deed. Examples would be condo riders, adjustable rate riders, or PUD riders.

Principal

The amount of debt, not counting interest, left on a loan.

Note

The note is a fancy way of saying contract. The bank note is where the the borrower agrees to the terms of the loan. For example, the note would specify that the borrower is borrowing $300,000 at a 4% interest rate, and will have a certain fixed payment for 30 years.

Interest Rate

The interest rate is what the borrower agrees to pay back the bank on the money that is borrowed.

How are interest rates determined? The generic answer is a rate sheet that lenders used, but more specifically interest rates are tied to risk. The lower the perceived risk, the lower the interest rate.

The main computation of interest that you qualify for off a rate sheet is based of credit score, LTV, term, and whether or not you occupy the property.

Hence why if you have a high credit score, you have shown that you regularly pay back the money that you borrow. Therefore you get a lower interest rate because of the lower perceived risk for the bank to lend you money. And then the opposite is true when you have a lower credit score, you get a higher interest rate.

Loan to value means how much you owe versus the value (appraised value or sale price, whichever is lower) of the home. For instance if your house is worth 200k and you owe 100k, your loan to value is 50%. The higher the loan to value, the higher the perceived risk.

Fix Rate Note
This means the interest rates will not change for the duration of the loan. Whether that means 10, 15, 20 or 30 years. This allows the payment to stay the same for full amount of the term.

The longer the term, the higher interest rate. For example, interest on a 15 year loan might be 5% while a 30 year loan might be 5.5%. So you can see the advantage of opting for a shorter term, however the payment would be higher because the loan has to be paid back in shorter duration of time.

Adjustable Rate Mortgage Loans (ARM)

Unlike a fixed rate mortgage, an adjustable rate loan's interest rate will change, often after a set amount of years of fixed payments. The payment may be low initially because it is based on payment that is 30 years but the rate will change/adjust after "X" years. The most common adjustable rate terms are 3, 5, 7, or 10 years. After the fixed term is up, the interest rate will change on a yearly basis until it is completely paid off. Hence why they are called 5/1, 7/1 or 10/1. Fixed for 5 years and changes every year thereafter.

After the term is up, the rate will change via an index (usually the treasury bill or the LIBOR) plus a margin that is set by the lender. The margin never changes but the index will go up or down with the libor or treasury note. For example if the is index 3% and the margin is 3% the rate for that year would be 6%.

Home Equity Line of Credit (HELOC)
A home equity line of credit is a line of credit that is tied to the equity of your house. For instance, the home is worth $500,000 and there is a first loan for $200,000, that means there is $300,000 of equity. In this example, a bank may approve the borrower for a line of credit for $100,000.

Unlike a loan that has a specific payoff term (15, 20 or 30 years), the line of credit works like credit card. So in this example, the borrower may buy a car for $15,000 on that line of credit, which them means they would have $85,000 remaining that they could charge against the HELOC. If they borrowed $15,000, they would make payments only on the amount borrowed, just like a credit card.

Reverse Mortgage
A reverse mortgage enables older homeowners (62+) to convert part of their equity in their homes into tax-free income without having to sell the home, give up title, or take on a new monthly mortgage payment. The reverse mortgage is aptly named because the payment stream is “reversed.” Instead of making monthly payments to a lender, as with a regular mortgage, a lender makes payments to you based off the equity you have in the home.

For example, if the home’s value is $500,000 and the borrower owes $100,000, a reverse mortgage would literally pay out the equity you own on a monthly basis, until a cap is reached.

Discount Points/Buy Down
Points are an up-front fee paid to the lender at the time that you get your loan to lower the interest rate You qualified for. You can literally buy down an interest rate.

Let's say you qualify for a 5% rate on a 30 year fixed. You could pay the bank $2400 (whatever the agreed upon price is) to get 4.5%. This is why the call it buying the rate down.

Default

Lenders only lend on house if they have the right to take the house from the borrower if the borrower fails to pay back the loan on the terms that were agreed upon.

Banks usually give you 30 days past your due date before they consider you in default of your loan. Default means the borrower has not lived up to the agreed upon terms.

Foreclosure

If the borrower has not lived up to the terms of the loan the bank can foreclose on the house. Meaning that can take the home away from the borrower. The bank then owns the house not the borrower.

Typically most banks allow start the foreclosure process after 3 consecutive missed payments.

Lien

A lien is a form of security interest granted over a property to secure the payment of a debt. Anyone can put a lien against home as long as they have the homeowners consent.

In term of mortgages, when the bank lends money to a borrower, the way they guarantee repayment is by recording a lien against the house. The lien recorded equals what they have lent the borrower.

If the borrower fails to live up to the agreed upon repayment terms, the bank has the right to sell the property and recoup whatever money they have lent or more specifically what ever the lien amount is.

Now you understand what a lien is, now understand that there are positions of lien. What is a first and second lien?

Most mortgages are recorded in the the first position, which mean they are the first to be paid off. Hence why most mortgages are called first liens. If something was to happen to the property, like a sale of the property, the lien recorded in the first position gets paid first.

There can be a number of lien positions (1st, 2nd, 3rd, etc). Another bank (or the same bank) can lend more money to the borrower and will record a lien as well. If there is lien already on the house, then naturally the next lien recorded would be the second lien. Hence why you hear of second mortgages simply referred to as a second. So if you are doing a loan signing for a ‘second,’ that should tell you the borrower already has a first. Or if you get an signing for a first and second, that means they are taking out 2 different loans at the same time. One will be recorded in the first position and the other will be recorded in the second position.

Lastly, as liens get paid off, the lien that was in the next position moves into the lien position that had been vacated. So if you pay off a first, the second moves into the first position.

Property tax
Property taxes are taxes that are due to the county the property resides. Usually due twice a year.

Impound Account/Escrow Account
The impound account and escrow account are the same thing. Some borrowers either request or are forced to have an impound account for taxes and insurance.

To understand what an impound account is, you need to first understand that property taxes are due twice a year in almost every county in the country and homeowner insurance (hazard/fire insurance) is due on an annual basis.

With that being said, some lenders are nervous that borrower will not make these payment as they come due. So they require that a savings account for taxes and insurance is set up with them (the lender) and the borrower will make monthly deposit to this account and as the taxes and insurance come due, the lender will make the payments for them.

Not all borrowers are required to have an impound account, but they many prefer it.

In conclusion, an impound or escrow account is a fancy word for a savings account for taxes and insurance.

Amortization
Repayment of a loan with periodic payments of both principal and interest calculated to payoff the loan at the end of a fixed period of time.

Hazard Insurance
Protects the insured against loss due to fire or other natural disaster in exchange for a premium paid to the insurer.

PITI
Abbreviation for Principal, Interest, Taxes and Insurance, the components of a monthly mortgage payment.

FHA Loans
FHA loans are fixed- or adjustable-rate loans insured by the U.S. Department of Housing and Urban Development. FHA loans are designed to make housing more affordable, particularly for first-time homebuyers. FHA loans typically permit borrowers to buy a home with a lower down payment than

conventional loans. With FHA insurance, eligible buyers can purchase a home with a down payment of as little as 3% of the appraised value or the purchase price, whichever is lower. FHA borrowers typically are required to participate in a face-to-face meeting with their lender or a government approved mortgage counselor prior to closing on a new mortgage loan. The current FHA loan limits vary depending on home type and home location. To find the most recent limits for your home, consult the FHA Maximum Mortgage Limits web page.

VA Loans

VA loans are fixed-rate loans guaranteed by the U.S. Department of Veterans Affairs. They are designed to make housing affordable for eligible U.S. veterans. VA loans are available to veterans, reservists, active-duty personnel, and surviving spouses of veterans with 100% entitlement. Eligible veterans may be able to purchase a home with no down payment, no cash reserve, no application fee, and lower closing costs than other financing options.

Escrow 101

Escrow Instructions

Escrow instructions simply describe escrow's role and responsibility during the transaction to the borrower.

Packaging Tip: Since they are escrow instructions, it should make sense that escrow gets back their original instructions. And since the borrower is agreeing to enter escrow with the escrow company it should make sense why the lender wants to see the agreement signed, hence why they get a copy.

Escrow Amendment

If there are any changes made to the original escrow instructions, they are made via escrow amendments. Let's say the loan amount or purchase price has changed since the original escrow instructions went out. The escrow amendments would change what was originally signed.

Packaging Tip: These are 'escrow's' amendments, so escrow would get the original document back. And just like with the escrow instructions, the lender will also want a copy of escrow amendments as well.

Closing Statement

The closing statement is the document that brings together all of escrow, title and the lender's fees and puts them on one document for the borrower to see and approve. Being that escrow is the third neutral party, they create the closing statement.

Packaging Tip: Since it is escrow's document, they get the original. And since the borrower is approving the fees which include the fees owed to the lender, it should make sense why the lender would want a copy of the closing statement.

Insurance Information Sheet
This is where the borrower lets escrow know what insurance company that they use. Insurance company name, policy # and the insurance agent's name and phone number.

Disbursement of Proceeds

If the borrower is due refund from closing this tell escrow how they would like to receive it. This is the form that tells escrow whether they want to pick up the check at escrow, have it mailed/FedEx, or wire.

If this is not filled out then escrow will not know how give the money to the borrower.

Borrower Information Sheet

Just as the name implies, this is form that gives escrow all the information they need to open up escrow. The current payoff, whom they owe and how much, any private liens, HOA info and/or insurance information.

Payoff Demand
The payoff demand is also known as the payoff statement, which shows what the borrower owes their current lender. Escrow is responsible for ordering the demand from the current lender and then present it to the borrower for the approval to payoff whatever the payoff states that they owe.

Packaging Tip: Since escrow orders it and more importantly since they are the party associated with keeping all the numbers in line, they get the original. In a refinance transaction, it should make sense that the lender would want to see that the borrower was approved to pay off the current lender. So the lender would get a copy.

Since title companies record liens on and off properties. They want to see the borrower has approved to pay off the lien that currently sits on the property. Hence why you would send the copy of the payoff to title.

Statement of Information
This is also known as the S.I. The S.I. is essentially an application for title insurance.

Packaging Tip: Since title is issuing the insurance, they get original back. Since escrow is the party making sure everything is being done correctly, it should make sense they would want a copy of the statement of information.

Grant *Deed* or Quitclaim Deed
A grant deed or quitclaim deed changes the way property title is held. Whether that be from a seller to a buyer. Or somebody changing the way they currently hold title. For instance if someone got married and was adding their spouse to the property or if someone is putting their house in a trust.

Trust Certification
The trust certification is a document that proves that a borrower has an established valid trust, in lieu of actually providing the whole entire trust (which at times could exceed 100 pages).

If the property is held in a trust in any matter, a trust certification has to be filled out.

Packaging Tip: Since title is in charge of title during a mortgage transaction, then it should make sense that the title company gets the original. And since escrow is the party that keeps records on the transaction, it should make sense that they get a copy of the trust certification.

P.C.O.R.
PCOR stands for Preliminary Change of Ownership Report. This helps the county understand what is going on with the grant deed or quitclaim deed. For example, if there is a transfer between spouses because of a removal from a trust, a PCOR would be filled out to help define that. A PCOR only gets filled out if there is a grant deed or quitclaim deed.

Packaging Tip: Since the PCOR goes hand in hand with the grant deed or quitclaim deed, it should make sense that the title gets the original PCOR as well.

Subordination Agreement
To understand what a subordination agreement is you first need to learn about lien positions. When a lien is recorded, their position of importance is noted on the title. Meaning if a lien is recorded in the first position, they are the first to be paid off. Hence why most mortgages are called first liens. If something was to happen to the property, the lien recorded in the first position gets paid first.

There can be a number of lien positions, (1st, 2nd, 3rd, etcetera). Now, as liens get paid off, the lien that was in the next position moves into the lien position that had been vacated. So if you pay off a first, the second moves into the first position.

So now that you understand lien positions you are now ready to understand what a subordination agreement is.

When a loan is in a subordinate position, be it 2nd, or 3rd, or 4th, a subordination agreement tells everyone that the loans in the subordinate position stay in the same lien position even though the lien above it has been paid off.

What this allows is a new lien holder to go in the empty 1st position. As an example, if someone refinances a first but there is also a second on the property, the new lender will only approve the loan if their loan will goes in the first lien position.

And that is a subordination agreement.

Packaging Tip: Since title is in charge of everything that goes on title of the property they get the original subordination agreement.

Since the lender will only approve the loan if they go in the first lien position, it should make sense that they would want a copy of the subordination agreement. And once again escrow is the keeper of all records. It should should make sense they would want a copy as well.

Insurance

Insurance refers to the borrower’s homeowners insurance or also know as hazard insurance. Homeowners insurance covers anything that may happen to the home lik*e a* fire, flood or anything can happen to the structure of the house. Needless to say, banks won’t lend against a home that is not insured.

Packaging Tip: It is escrow’s responsibility to make sure the borrower has insurance on the home they are buying or refinancing, hence why escrow would have the original. And since the lender won't close without proof is insurance, it should make sense they want a copy of it.

Power of Attorney

The Power of Attorney is also known as an Attorney in Fact. This is when someone has given another person authority to sign on their behalf. For instance, a spouse who is in the military and is deployed might give their spouse power of attorney to sign loan docs on their behalf.

Packaging Tip: The county will not record a new deed if they do not have the original power of attorney as proof. They do not take a copy and this is why they get an original.

It should make sense why the lender would want a copy and unlike the county, a copy of the POA is acceptable.

Once again escrow keeps records of all vital information and the proof of a power of attorney is certainly a vital document.

Purchase Contract
The purchase contract is pretty self explanatory: it is the contract between the buyer and seller on the terms of the sale.

Packaging Tip: Escrow's job is to make sure both parties abide by what is the contract states, hence why they get the original.

The lender won't fund a loan on a purchase if they don't know the terms of the sales contract and this is why they get a copy.

Receipts
Home buyers are required to put down a monetary deposit to open escrow. It shows the seller that the buyer is serious about buying the home. Escrow will show proof of this deposit via a receipt or also know as proof of deposit.

Packaging Tip: Since this deposit is the start of the down payment, the lender wants to see proof that the deposit was made and is why they get a copy. Escrow keeps the original.

Payoff (purchase)
The payoff in a purchase transaction is the same as payoff for a refinance. It shows how much someone owes on a current mortgage. However the reason why it is ordered is slightly different on a purchase. In a purchase, the payoff is ordered to show what the seller owes on the house that they are selling. Therefore the buyer never sees the payoff; it is acknowledged by the seller approving that they want escrow to pay off their balance owed.

Termite report
This is a report that tells the homeowner and the lender if there are any termites found on the property. If there is, usually a termite clearance is needed to show that the problem areas have been fixed and addressed.

Escrow is required to have a termite report in the file.

Loan document definitions

Lender's Instructions
The Lender's instructions (sometimes called Closing Instructions) are literally typed out instructions to the escrow and title companies from the lender on exactly how the lender wants

their loan closed. The borrower and the escrow officer usually sign the instructions acknowledging them.

Packaging Tip: Since it is the LENDER'S instructions it should make sense that the lender would get the original instructions back. And since the instructions are *for* the escrow and title company, it should make sense that they both would get a *copy* of the lender instructions.

1003 Loan Application
In the mortgage industry a loan application is call ten-oh-three. It is rarely called by its name but referred to by the form #, which is 1003.

Packaging Tip: You can not get a loan that you have not applied for. This is why a borrower will sign a loan application. And since the lender needs the borrower to apply for the loan it should make sense that lender would get the original.

You would definitely classify this as vital document to the transaction, hence why escrow gets a copy.

Notice of Right to Cancel
In a refinance transaction on a primary residence, the borrower gets three business days (not including Sunday's and some holidays) from the day they sign loan documents to cancel the loan if they want. This is a law and cannot be waived.

Packaging Tip: The lender cannot fund the loan until this time period has past.

Closing Disclosure
Also known as the CD, the Closing Disclosure replaces what they used to call the truth in lending form. And just like the old form implies this is what informs the borrower about everything pertinent about the loan. Total interest over 30 years. All cost associated with the transaction, just like the closing statement. The lender has to disclosed everything about the loan so the borrower has a concise look at what they are getting into. This form is a little redundant as it has information found on different forms throughout the loan documents.

4506
The borrower signs this form to give permission to lender so the lender can request and receive a copy of the borrower's taxes that are filed with the IRS.

Occupancy Affidavit

This tells the lender whether the property being bought or refinanced is a primary residence, second home or investment property.

Remember interest rates are tied to perceived risk. If you live in the house. The chances of defaulting on your loan is less since you live in it. Therefore, you get a lower interest rate. If it is an investment property, there is higher chance of default so the bank will give a higher interest.

California Domestic Partnership Addendum to Uniform Residential Loan Application
Some states recognize domestic partnerships as if two people are married. This form tells the lender if they do or do not have a domestic partner.

Borrower Certification and Authorization
This form gives permission to lender to confirm employment, have their assets, credit report and financial records in their possession.

Hazard insurance Authorization and Requirements. Homes that have mortgages have to have hazard insurance. This form also allows the lender to be the loss payee recorded on the hazard insurance.

W-9
Interest paid on loans is tax deductible. This allows the borrower to write off the interest on their taxes.

Acknowledgment of Receipt of Appraisal Report
If there was an appraisal completed the borrower has the right to a copy. By the borrower signing this form they are confirming they have a copy.

Compliance Agreement
Just because the borrower has signed loan docs does not mean the loan will fund. This form informs the borrower if anything else need to be signed before the loan funds, the borrower will comply with any requests.

Consumer Credit Disclosure
The borrower has the right to know their credit score. This form gives the borrower their credit scores.

The Housing Financial Discrimination Act of 1977 Fair Lending Notice
This says the borrower was not discriminated against.

Hazard Insurance Disclosure

The max amount of insurance coverage the lender can force to borrower to have is replacement cost of the house. Not the appraised value.

California Impound Disclosure/Waiver
This form says whether the borrower has to have an impound/escrow account or if they request to have one or decline to have one.

California per Diem Interest Disclosure
The Borrower has to pay interest the day the loan funds. This page tells the borrower how much interest they per day(aka per diem).

under stand the day the new loan funds the borrower is responsible to pay interest.

You may notice two boxes that one needs to be checked. It's because sometime there is overlapping interest. Let me explain,

The problem that arises in refinance is if the new loan funds on a Friday the borrower starts paying interest on the new loan. However, if the old loan will not be paid off until Monday the borrower has to pay interest on two loans. In this case, the borrower may want to check the box that states please they do not want the new loan to fund until after a weekend is holiday so this situation never arises.

In a purchase the problem arises is if the loans funds on a Friday but they house doesn't record (meaning they don't get the keys) until Monday. They would be paying interest on house they don't even own. Once again they may want to check the box that says they don't want to fund the loan until after a weekend or holiday to prevent this.

The other box states that they don't care when the loan funds and understands they will start paying interest immediately.

Signature Affidavit and AKA Statement
The borrower signs this confirming their signature is their signature. This is why their signature needs to be consistent. The lender uses this page to cross reference all signatures on the other docs to make sure no one forged the borrower’s signatures.

All names found on the borrower’s credit report will go on the AKA section of this form. The lender is letting them know the names that came up on their credit report. The borrower signs the aka line exactly as their name appears to confirm that they have gone by this name before. If the an AKA is not them, instead of signing the wrong name they print “not known as.”

Contact verification form
The borrower confirms all contact information the lender has for them is correct. Mailing address, phone #’s, etc.

Counseling Checklist for Military Home Buyers
On VA loans the VA is letting the veteran know if they miss any payments, home counseling may be required.

Essentially the counseling is letting them know how bad foreclosure is and they should not miss more payments.

USA Patriot Act
This is where the notary signing agent records for the lender the ID information used to identify the borrower.

Federal Equal Credit Opportunity Act Notice
This lets the borrower know that credit score was a determining factor on their approval. Also, that they can discriminate based on credit score. Bad credit equals a higher interest rate.

Flood Insurance Coverage Subject to Change Disclosure
Flood zones are constantly being updated all over the country. The lender is letting them know that if they are ever to be rezoned as a flood zone they will be required to have flood insurance at that time.

Initial Escrow Account Disclosure Statement
This form shows how the impound account will look in the next 12 months. It shows the balance every month for the next 12 months and when they make the tax and insurance payment and for how much.

Mailing Address Certification
Not all borrowers want the mortgage statement (the bill) sent to the property address. This form lets the lender know exactly where the borrower prefers the bill.

Consumer Credit Score Disclosure
The borrower has the right to their credit scores. This page tells them what their scores were. This is not the full report. Just the scores.

Notice Concerning the Furnishing of Negative Information to the Consumer Reporting Agency
This form states if the borrower misses a mortgage payment, it will be reported and negatively affect their credit score

Notice to VA Loan Borrowers
VA loans are assumable (see mortgage definitions above if you don't know what this is). This is the form that lets the veteran know this.

Payment Letter to Borrower
This form is two different forms in one form for most lenders. First and foremost it tells the borrower what their full payment is including their impound account, if they have one (the note only shows you what the principal and interest is).

This form also dubs as their first payment coupon in the rare case the lender forgets to the bill the borrower. There is an an address on where to send the first payment to.

Payoff Schedule/Amortization Table
This shows every payment for the duration of the loan. Breaking down every payment into what goes to principal and what goes to interest.

Quality Control Release and Authorization to Re-verify
This lets the borrower know there may be a survey asking how the loan officer did. This is how the lender does quality control.

Federal Collection Policy Notice
This lets the borrower know how the lender will or will not share their information.

Other Mortgage definitions**

Acceleration Clause
A common provision of a mortgage or note providing the holder with the right to demand that the entire outstanding balance is immediately due and usually payable in the event of default.

Adjustment Interval
The length of time between changes in the interest rate or monthly payment on an ARM loan.

Agreement of Sale
Contract signed by buyer and seller stating the terms and conditions under which a property will be sold.

Alternative Documentation
A method of documenting a loan file that relies on information that the borrower is likely to be able to provide instead of waiting on verification sent to third parties for confirmation of statements made in the application.

Amortization schedule

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

Amount Financed

This figure is used to calculate your APR. It represents your loan amount minus any prepaid finance charges and assumes you will keep the loan to maturity and make only the required monthly payments.

Annual Percentage Rate (APR)

There are two interest rates applied to your loan: the Actual Interest Rate and the Annual Percentage Rate. The Actual Rate is the annual interest rate you pay on your loan (sometimes referred to as the “note rate”), and is the rate used to calculate your monthly payments. The amount of interest you pay, as determined by your Actual Rate, is only one of the costs associated with your loan; there may be others. The Annual Percentage Rate (APR) includes both your interest and any additional costs or prepaid finance charges you might pay such as prepaid interest, private mortgage insurance, closing fees, points, etc. Your APR represents the total cost of credit on a yearly basis after all charges are taken into consideration. It will usually be slightly higher than your Actual Rate because it includes these additional items and assumes you will keep the loan to maturity.

Application Fee

Fee charged by a lender to cover the initial costs of processing a loan application. The fee may include the cost of obtaining a property appraisal, a credit report, and a lock-in fee or other closing costs incurred during the process or the fee may be in addition to these charges.

Appraisal

An appraisal is a written analysis of the estimated value of your property. A qualified appraiser who has knowledge, experience and insight into the marketplace prepares the document. It demonstrates approximate fair market value based on recent sales in your neighborhood and is required to purchase or refinance your new home or property.

Appraisal Fee

A fee charged by a licensed, certified appraiser to render an opinion of market value as of a specific date. This fee is paid to the outside appraisal company we engage to objectively determine the fair market value of your property. This fee varies based on the location and type of your property

Assessed Value

The valuation placed upon a property by a public tax assessor for the purposes of taxation.

Assignment
The transfer of ownership, rights, or interests in property by one person, the assignor, to another, the assignee.

Assignment Recording Fee
In many instances, after closing the lender transfers your loan to a specialized loan "servicer" who handles the collection of your monthly payments. The Assignment Fee covers the cost of recording this transfer at the local recording office.

Assumption
A method of selling real estate where the buyer of the property agrees to become responsible for the repayment of an existing loan on the property.

VA loans are usually allow another party to assume the loan.

Balloon Mortgage
Balloon mortgage loans are short-term fixed-rate loans with fixed monthly payments for a set number of years followed by one large final balloon payment for all of the remainder of the principal. Typically, the balloon payment may be due at the end of five, seven, or ten years. Borrowers with balloon loans may have the right to refinance the loan when the balloon payment is due, but the right to refinance is not guaranteed.

Bankruptcy
A proceeding in a federal court to relieve certain debts of a person or a business unable to pay its debts.

Beneficiary
A person named to receive a benefit from a trust. A contingent beneficiary has conditions attached to his rights, usually someone else must die first.

Bequest
A gift of personal property by will.

Blanket Mortgage

A mortgage that covers more than one parcel of real estate.

Broker
An individual who brings buyers and sellers together and assists in negotiating contracts for a client.

Broker Processing Fee
The fee charged to you to have your file packaged and handed over to a selected lender. There is no broker involved in your Quicken Loans transaction; you deal with Quicken Loans from start to finish.

Buy-Down
When the lender and/or the home builder subsidized the mortgage by lowering the interest rate during the first few years of the loan. While the payments are initially low, they will increase when the subsidy expires. Brokers usually charge a fee or receive a commission for their services.

Buyer's Market
Market conditions that favor buyers. With more sellers than buyers in the market, sellers may be forced to make substantial price concessions.

Caps (interest)
Consumer safeguards that limit the amount the interest rate on an adjustable rate mortgage can change in an adjustment interval and/or over the life of the loan. For example, if your per-period cap is 1% and your current rate is 7%, then your newly adjusted rate must fall between 6% and 8% regardless of actual changes in the index.

Caps (payment)
Consumer safeguards that limit the amount monthly payments on an adjustable rate mortgage may change. Since they do not limit the amount of interest the lender is earning, these consumer safeguards may cause negative amortization.

Cash Out
Any cash received when you get a new loan that is larger than the remaining balance of your current mortgage, based upon the equity you have already built up in the house. The cash out amount is calculated by subtracting the sum of the old loan and fees from the new mortgage loan. For example, if your existing loan is $100,000, you might refinance it with a loan of $120,000. After you pay off your current loan

($100,000) and any loan-origination costs for the new loan (for example $2,000 in points), you would be left with $18,000 cash out. Cash-out loans may not be available for all types of property.

Cash reserve
A requirement of many lenders that buyer have sufficient cash remaining after closing to make the first two mortgage payments.

Cashier's Check (or Bank Check)
A check whose payment is guaranteed because it was paid for in advance and is drawn on the bank's account instead of the customer's.

Ceiling
The maximum allowable interest rate of an adjustable rate mortgage.

Certificate of Eligibility
Document issued by the Veterans Administration to qualified veterans and that verifies a veteran's eligibility for a VA guaranteed loan. Obtainable through local VA office by submitting form DD-214 (Separation Paper) and VA form 1880 (request for Certificate of Eligibility).

Certificate of Reasonable Value (CRV)
An appraisal issued by the Veterans Administration showing the property's current market value

Certificate of Title
Written opinion of the status of title to a property, given by an attorney or title company. This certificate does not offer the protection given by title insurance.

Certificate of Veteran Status
FHA form filled out by the VA to establish a borrower's eligibility for an FHA Vet loan. Obtainable through local VA office by submitting form DD 214 (Separation Paper) with form 26-8261a (request for certificate of veteran status).

Chain of Title
The chronological order of conveyance of a property from the original owner to the present owner.

Clear title

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

Closing (or Settlement)
The settlement or closing is the conclusion of your real estate transaction. It includes the delivery of your security instrument, signing of your legal documents and the disbursement of the funds necessary to the sale of your home or loan transaction (refinance).

Closing Costs
Also known as settlement costs, these costs are for services that must be performed to process and close your loan application. Examples include title fees, recording fees, appraisal fee, credit report fee, pest inspection, attorney's fees, taxes, and surveying fees..

Collateral
Assets (such as your home) pledged as security for a debt.

Commission
Money paid to a real estate agent or broker for negotiating a real estate or loan transaction.

Commitment
A promise to lend and a statement by the lender of the terms and conditions under which a loan is made.

Comparables
An abbreviation for “comparable properties”; used for comparative purposes in the appraisal process. Comparables are properties like the property under consideration; they have reasonably the same size, location, and amenities and have recently been sold. Comparables help the appraiser determine the approximate fair market value of the subject property.

Compound Interest
Interest which is calculated not only on the initial principal but also the accumulated interest of prior periods.

Comparative Market Analysis
An informal estimate of market value that a real estate agent or broker calculates based on sales of comparable properties. An appraisal or a comparative market analysis are the most accurate ways to determine what your home is worth.

Condominium

A real estate project in which each unit owner holds title to a unit in a building, an undivided interest in the common areas of the project, and sometimes the exclusive use of certain limited common areas. The condominium may be attached or detached. The homeowners association dues are included in the total monthly mortgage payment for qualifying purposes.

Conforming Loan
A mortgage loan that meets all requirements to be eligible for purchase by federal agencies such as Fannie Mae and Freddie Mac. The maximum conforming loan amount is $300,700 for a one-unit property ($451,050 in Alaska, Hawaii and the Virgin Islands).

Consumer Reporting Agency
A company that regularly gathers, files and sells information to creditors to facilitate their decisions to extend credit.

Construction Loan
A short term interim loan for financing the cost of construction. The lender advance funds to the builder at periodic intervals as the work progresses.

Contingency
A condition that must be satisfied before a contract is legally binding.

Contract of Sale
The agreement between the buyer and seller on the purchase price, terms and conditions of a sale.

Conventional Loan
Loans that are not made under any government housing program; they are not subject to the restrictions of government housing programs, such as loan size limits.

Conversion Clause
A provision in some ARMs that allows you to change an ARM to a fixed-rate loan, usually after the first adjustment period. The new fixed rate will be set at current rates, and there may be a charge for the conversion feature.

Convertible ARMs
A type of ARM loan with the option to convert to a fixed-rate loan during a given time period.

Conveyance
The document used to affect a transfer, such as a deed, or mortgage.

Covenant
A written agreement or restriction on the use of land or promising certain acts. Homeowner Associations often enforce restrictive covenants governing architectural controls and maintenance responsibilities. However, land could be subject to restrictive covenants even if there is no homeowner's association

Credit Bureau
A credit bureau is a clearinghouse for credit history information. Credit grantors provide the bureau with factual information on how their credit customers pay their bills. The bureau regularly assembles this information, along with public record information obtained from courthouses around the country, into a “file” on each consumer.

Credit Report
A report detailing the credit history of a prospective borrower that's used to help determine borrower creditworthiness.

Credit Score
A statistical method of assessing your creditworthiness. Your credit card history; amount of outstanding debt; the type of credit you use; negative information such as bankruptcies or late payments; collection accounts and judgments; too little credit history and too many credit lines with the maximum amount borrowed are all included in credit-scoring models to determine your credit score.

Debt-to-Income Ratio
The ratio, expressed as a percentage, which results when a borrower's monthly payment obligation on long-term debts is divided by his or her net effective income (FHA/VA loans) or gross monthly income (conventional loans).

Deed
Legal document with which title to real property is transferred from one owner to another. The deed contains a description of the property, and is signed, witnessed, and delivered to the buyer at closing.

Deed of Trust

A legal document that conveys title to real property to a third party. The third party holds title until the owner of the property has repaid the debt in full.

Default
Failure to meet legal obligations in a contract, including failure to make payments on a loan.

Delinquency
Failure to make payments as agreed in the loan agreement.

Down Payment
The amount of your home's purchase price you need to supply up front in cash to get your loan. For conventional loans, you should strive for a down payment that's at least 20% of your home's value, since lenders generally do not require private mortgage insurance with a down payment of at least 20% of your home's purchase price. (Note, however, that FHA and VA loans have different policies regarding insurance.)

Due-on-Sale Clause
Provision in a mortgage or deed of trust allowing the lender to demand immediate payment of the loan balance upon sale of the property.

Duplex
Owner occupied property for more than one family

Earnest Money
Deposit made by a buyer towards the down payment in evidence of good faith when the purchase agreement is signed.

Encryption
This is a procedure used in order to prevent anyone but the intended recipient from reading the data. There are many types of data encryption, and they are basis of network security. Common types include (Data Encryption Standard) and public-key encryption.

Equifax
One of the three largest credit bureaus in the United States.

Equal Credit Opportunity Act (ECOA)

Federal law requiring 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
The difference between the current market value of a property and the total debt obligations against the property. On a new mortgage loan, the down payment represents the equity in the property.

Escrow
A transaction in which a third party acts as the agent for seller and buyer, or for borrower and lender, in handling legal documents and disbursement of funds.

Escrow Account
An account held by the lender to which the borrower pays monthly installments, collected as part of the monthly mortgage payment, for annual expenses such as taxes and insurance. The lender disburses escrow account funds on behalf of the borrower when they become due. Also known as Impound Account.

Estimated Closing Fees
An estimate of the fees that must be paid on or before the closing date by the buyer and/or seller for services, taxes and items necessary to obtain mortgage. These fees will average between 2% and 5% of the loan amount and vary by lender, property location, and type of mortgage.

Experian
One of the three largest credit bureaus in the United States.

Fair, Isaac and Co.
The company that invented credit-scoring software.

Fannie Mae
This agency buys loans that are underwritten to its specific guidelines. These guidelines are an industry standard for residential conventional lending.

FDIC
Federal Deposit Insurance Corporation (FDIC)
Independent deposit insurance agency created by Congress to maintain stability and public confidence in the nation's banking system.

Federal Housing Administration (FHA)
A federal agency within the Department of Housing and Urban Development (HUD), which insures residential mortgage loans made by private lenders and sets standards for underwriting mortgage loans.

Fee Simple
Absolute ownership of real property.

Federal Reserve Board
The 7-member Board of Governors that oversees Federal Reserve Banks, establishes monetary policy (interest rates, credit, etc.), and monitors the economic health of the country. Its members are appointed by the President subject to Senate confirmation, and serve 14-year terms. also called the Fed.

FICO
The most common credit-scoring model used by lenders, it is also known as a Fair, Isaac score. Your FICO can range from 200 to 900. According to this model, the higher your score, the less likely you are to default on your loan.

Filing Fees
The amount charged by public officials in your area for recording your mortgage and other documents.

Finance Charge
Your finance charge is the total of all the interest you would pay over the entire life of the loan, assuming you kept the loan to maturity, as well as all prepaid finance charges. If you pre-pay any principal during your loan, your monthly payments remain the same, but your total finance charge will be reduced.

First Mortgage
A mortgage that is in first lien position, taking priority over all other liens. In the case of a foreclosure, the first mortgage will be repaid before any other mortgages.

Fixed Rate
An interest rate that is fixed for the term of the loan.

Float
Until you request to secure a lender's quoted interest rate, the interest rate will continue to change, or float, due to market fluctuations. Locking or securing a rate protects you from these potential fluctuations from the time your lock is confirmed to the day your lock period expires. You may choose to float your rate up until

the time your lender contacts you to schedule your closing. At this time, an interest rate must be secured in order to prepare your closing documents.

Flood Insurance
Insurance that compensates for physical damage to a property by flood. Typically not covered under standard hazard insurance.

Flood Life of Loan Coverage
Flood zone determinations may change from time to time. The “Life of Loan Coverage” fee allows us to track any changes in your property's flood zone status over the life of your loan.

Forbearance
The act by the lender of refraining from taking legal action on a mortgage loan that is delinquent.

This agency buys loans that are underwritten to its specific guidelines. These guidelines are an industry standard for residential conventional lending.

Good Faith Estimate
Written estimate of the settlement costs the borrower will likely have to pay at closing. Under the Real Estate Settlement Procedures Act (RESPA), The lender is required to provide this disclosure to the borrower within three days of receiving a loan application.

Grace Period
Period of time during which a loan payment may be made after its due date without incurring a late penalty. The grace period is specified as part of the terms of the loan in the Note.

Guideline Ratios
There are two guideline ratios used to qualify you for a mortgage. The first is called the front-end ratio, or top ratio, and is calculated by dividing your new total monthly mortgage payment by your gross monthly income. Typically, this ratio should not exceed 28%. The second is called the back-end, or bottom ratio, and is equal to your new total monthly mortgage payment plus your total monthly debt divided by your gross monthly income. Typically, this ratio should not exceed 36%.

Homeowners Insurance

Just as you insure your automobile to protect against theft and damage, you insure your home. Homeowners insurance is required by all lenders to protect their investment, and must be obtained before closing. In most cases, coverage must be equal to the loan balance, or the value of the home.

Impound Account
Also known as an Escrow Account it is an account held by the lender to which the borrower pays monthly installments, collected as part of the monthly mortgage payment, for annual expenses such as taxes and insurance. The lender disburses impound account funds on behalf of the borrower when they become due.

Index
Most lenders generally tie adjustable rate mortgage loan (ARM) interest rate changes to an "index." An index is a widely published rate such as LIBOR, T-Bill, or 11th District Cost of Funds (COFI). Lenders use these indices to establish the interest rates charged on mortgage loans. For ARMs, a predetermined margin is added to the index to compute the interest rate adjustment.

Initial Cap
Consumer safeguard that limits the amount the interest rate on an adjustable rate mortgage can change during the first adjustment period. See Caps.

Initial Rate
The rate charged during the first interval of an ARM loan.

Insurance
The type of insurance(s) required for your loan. Private mortgage insurance may also be required in addition to what is indicated.

Interest
Charge paid for borrowing money.

Interest Rate
The annual rate of interest on the loan, expressed as a percentage of 100.

Interest Rate Cap

Consumer safeguards that limit the amount the interest rate on an ARM loan can change in an adjustment interval and/or over the life of the loan. For example, if your per-period cap is 1% and your current rate is 7%, then your newly adjusted rate must fall between 6% and 8% regardless of actual changes in the index.

Interest Rate Disclosure
A description of the conditions applicable to the processing of your loan as well as the terms of your interest rate agreement with Quicken Loans.

Joint Liability
Liability shared among two or more people, each of whom is liable for the full debt.

Joint Tenancy
A form of ownership of property giving each person equal interest in the property, including rights of survivorship.

Jumbo Loan
A mortgage larger than the limits set by Fannie Mae and Freddie Mac as shown below: Lower 48 States 1 unit $322,700 2 unit $413,100 3 unit $499,300 4 unit $620,500 Alaska and Hawaii 1 unit $484,050 2 unit $619,650 3 unit $748,950 4 unit $930,750

Junior Mortgage
A mortgage subordinate to the claim of a prior lien or mortgage. In the case of a foreclosure, a senior mortgage or lien will be paid first.

Late Charge
Penalty paid by a borrower when a payment is made after the due date. Lender The bank, mortgage company, or mortgage broker offering the loan.

Lender Fees
Lender Fees are fees paid to the lender.

Lender Processing Fee

The lender processing fee covers the cost of analyzing your loan application and compiling and packaging the necessary supporting documentation to close your loan.

LIBOR (London Interbank Offered Rate)
The interest rate charged among banks in the foreign market for short-term loans to one another-a common index for ARM loans.

Lien
A legal claim by one person on the property of another for security for payment of a debt.

Lifetime (or Overall) Cap
Consumer safeguard that limits the amount the interest rate on an adjustable rate mortgage loan (ARM) can change over the life of the loan.

Loan Application
An initial statement of personal and financial information required to apply for a loan.

Loan Application Fee
Fee charged by a lender to cover the initial costs of processing a loan application. The fee may include the cost of obtaining a property appraisal, a credit report, and a lock-in fee or other closing costs incurred during the process or the fee may be in addition to these charges.

Loan Origination Fee
Fee charged by a lender to cover administrative costs of processing a loan.

Loan Term
The period of time between the closing date and the date of your last payment is paid.

Lock or Lock-In
A lender's guarantee of an interest rate for a set period of time-usually between loan application approval and loan closing. The lock-in protects you against rate increases during that time.

Manufactured Home

A factory assembled residence built in units or sections that are transported to a permanent site and erected on a foundation.

Margin
The percentage difference between the index for a particular loan and the interest rate charged. This is a number predetermined by the lender.

Maximum Cash Out
The maximum amount of money you are allowed to get back from your mortgage transaction based on the loan information provided and the amount of equity you have in your home.

Maximum Monthly Payment
As part of your Mortgage approval, you are given a maximum monthly payment for which you qualify based on the information you provided. This maximum payment is inclusive of the four major components of a typical mortgage payment: taxes, insurance, loan principal and interest.

Monthly Mortgage Payment
A monthly mortgage payment typically contains four parts called the PITI (principal, interest, taxes, and insurance). If you pay your taxes and insurance on your own, you pay only principal and interest to your lender.

Monthly Principal and Interest (P&I) Payment
Principal and interest is the dollar portion to repay the loan. All interest that occurs is calculated on the current balance owing. The principal reduces the remaining balance of a mortgage.

Mortgage
A legal document by which real property is pledged as security for the repayment of a loan.

Mortgage Banker
An individual or company that originates and/or services mortgage loans. Usually works directly for the bank. For instance mortgage officer who works for wellfargo and in turn only sells wellsfargo mortgage products.

Mortgage Broker

An individual or company that arranges financing for borrowers that represents a number of lenders. A mortgage broker can sell Bank of America, wellsfargo and chase mortgage products. They act a broker between the bank and the borrower.

They are not handicapped with only one loan product like a banker is.

Mortgage Insurance
Insurance to protect the lender in case you default on your loan. With conventional loans, mortgage insurance is generally not required if you make a down payment of at least 20% of the home's appraised value. (Note, however, that FHA and VA loans have different insurance guidelines.)

Mortgage Loan
A loan for which real estate serves as collateral to provide for repayment in case of default.

Mortgage Note
Legal document obligating a borrower to repay a loan at a stated interest rate during a specified period of time. The agreement is secured by a mortgage or deed of trust or other security instrument.

Mortgage Term
The length of time given to repay the loan.

Mortgagee
The lender in a mortgage loan transaction.

Mortgagor
The borrower in a mortgage loan transaction.

Negative Amortization
A loan payment schedule in which the outstanding principal balance of a loan goes up rather than down because the payments do not cover the full amount of interest due. The monthly shortfall in payment is added to the unpaid principal balance of the loan.

Non-Assumption Clause

A statement in a mortgage contract forbidding the assumption of the mortgage by another borrower without the prior approval of the lender.

Note
Legal document obligating a borrower to repay a loan at a stated interest rate during a specified period of time. The agreement is secured by a mortgage or deed of trust or other security instrument.

Notice of Default
Written notice to a borrower that a default has occurred and that legal action may be taken.

Origination Fee
Fee charged by a lender to cover administrative costs of processing a loan.

Password
A password is a special code made up of letters and numbers that will allow you, and only you, to gain access to your personal account information. The best passwords combine letters (both upper and lower case) and numbers. It is best not to use your address, names of friends or family members, or other easily accessed or guessed words.

Payment Cap
Consumer safeguards that limit the amount monthly payments on an adjustable-rate mortgage may change. Since they do not limit the amount of interest the lender is earning, they may cause negative amortization.

Payment Schedule
The method for disclosing your payment schedule varies by loan type. For fixed-rate loans, the payment schedule indicates what your required monthly payment will be throughout the life of your loan. The payment schedule for VA, FHA, one-time MIP and uninsured conventional loans should also indicate a fixed monthly payment. The payment schedule for fixed-rate insured loans may gradually decrease over time due to a declining insurance premium. For adjustable rate loans, the payment schedules will vary by loan type and are based on conservative assumptions of future interest rates.

Per Diem Interest

Interest calculated per day. (Depending on the day of the month on which closing takes place, you will have to pay interest from the date of closing to the end of the month. Your first mortgage payment will probably be due the first day of the following month.)

Periodic Cap
Consumer safeguard that limits the amount the interest rate on an adjustable rate mortgage (ARM) can change in an adjustment interval. Caps.

Planned Unit Development (PUD)
A planned unit development (PUD) is a project or subdivision that consists of common property and improvements that are owned and maintained by an owner's association for the benefit and use of the individual units within the project. For a project to qualify as a PUD, the owners' association must require automatic, non-severable membership for each individual unit owner, and provide for mandatory assessments.

Power of Attorney
Legal document that authorizes one person to act on behalf of another.

Pre-approval
The process of determining how much money a prospective homebuyer or refinancer will be eligible to borrow prior to application for a loan. A pre-approval includes a preliminary screening of a borrower's credit history. Information submitted during pre-approval is subject to verification at application.

Prepaid Expenses
Taxes, insurance and assessments paid in advance of their due dates. These expenses are included at closing.

Prepaid Interest
Interest that is paid in advance of when it is due. Typically charged to a borrower at closing to cover interest on the loan between the closing date and the first payment date.

Prepayment
Full or partial repayment of the principal before the contractual due date.

Prepayment Penalty

A prepayment penalty is a fee that is charged if the loan is paid off earlier than the specified term of the loan. Depending on your loan program and applicable state law, you may or may not incur a prepayment penalty. Contact your loan officer for specific information.

Private Mortgage Insurance (PMI)
Insurance to protect the lender in case you default on your loan. With conventional loans, mortgage insurance is generally not required if you make a down payment of at least 20% of the home's purchase price. (Note, however, that FHA and VA loans have different insurance guidelines.)

Property Taxes
The taxes assessed on the property by the local government (e.g. city, county, village or township) for the various services provided to the property owner. Such services may include police and fire department services, garbage pick up and snow removal.

Purchase Agreement
Contract signed by buyer and seller stating the terms and conditions under which a property will be sold.

Real Financing Cost
The real financing cost is a consumer-oriented rate that takes into account specific costs, fees, potential rate changes and the projected amount of time you will have the loan. The fees and costs are distributed over the time you plan to be in the house, allowing you to do an apples-to-apples comparison of a variety of loan types. The real financing cost is not the APR. The APR assumes that you keep your loan for the entire term (e.g. 30 years for a 30-year fixed loan) and includes only some of your loan fees. The total financing cost takes into account all of your closing costs associated with your loan and also how long you plan to be in your house.

Real Property
Land and any improvements permanently affixed to it, such as buildings.

Recording
The act of entering documents concerning title to a property into the public records.

Rent Free
If you are living with a relative or friend without paying rent, this is considered “rent free.”

Requested Cash Out

The amount of money you requested to get back from your mortgage transaction. Remember, your closing costs and escrows will be subtracted from this amount.

RESPA

The Real Estate Settlement Procedures Act (RESPA) is a federal law that gives consumers the right to review information about loan settlement costs after you apply for a loan and again at loan settlement. The law obliges lenders to provide these settlement costs only after application.

Right to Rescission

Under the provisions of the Truth-in-Lending Act, the borrower's right, on certain kinds of loans, to cancel the loan within three days of signing a mortgage.

Sales Agreement

Contract signed by buyer and seller stating the terms and conditions under which a property will be sold.

Second Mortgage

An additional mortgage placed on a property that has rights that are subordinate to the first mortgage. A second mortgage is a lien in which you are given a lump sum amount that you pay off in installments over a specified period of time. Home improvement and debt consolidation loans are considered second mortgages.

Security

This refers to the address of the property being pledged as security for your loan.

Settlement (or Closing)

The settlement or closing is the conclusion of your real estate transaction. It includes the delivery of your security instrument, signing of your legal documents and the disbursement of the funds necessary to the sale of your home or loan transaction (refinance).

Settlement Costs

Also known as closing costs, these costs are for services that must be performed to process and close your loan application. Examples include title fees, recording fees, appraisal fee, credit report fee, pest inspection, attorney's fees, taxes, and surveying fees.

Simple Interest

The interest calculated on a principal sum, not compounded on earned interest.

Single Family
It is a residence that houses one family.

Site Condominium
A detached single-family dwelling characterized as a site condominium by the way it is platted by the builder, however it is still considered a condominium.

Streamline Refinance
FHA has permitted streamline refinance loans on insured mortgages since the 1980's. The streamline refinance refers to the amount of documentation and underwriting that needs to be performed by the lender.

Structural Improvements
A “Structural Improvement” is any permanent improvement made to your property that is not strictly for decorating purposes. Examples include: additions, new flooring, kitchen or bathroom upgrades, new windows and central air. Swimming pools are considered structural improvements only if they are in ground and your property is in a year round warm weather climate.

Subject Property
The home that you intend to obtain the mortgage on is called the subject property.

Survey
A mortgage survey is a bird's eye sketch of your property that shows the boundary lines of your lot, and details any encroachments between you and your neighbors.

Survey Fee
The survey fee covers the cost of the survey.

Sweat Equity
Value added to a property in the form of labor or services by the owner rather than by cash.

Tax Impound
Money paid to and held by a lender for annual tax payments.

Tax Lien
Claim against a property for unpaid taxes.

Tax Sale
Public sale of property by a government authority as a result of non-payment of taxes.

Tax Service Fee
In some cases, we engage a third party to monitor and/or handle the payment of your property tax bills. The Tax Service Fee covers the cost of this service.

Term
The period of time which covers the life of the loan. For example, a 30 year fixed loan has a term of 30 years.

Third Party Fees
Fees paid to a third party for services requested by the lender on your behalf..

Title Search
Examination of local real estate records to ensure that the seller is the legal owner of a property and that there are no liens or other claims against the property.

Total Payments
This is the total amount you will have paid over the life of the loan for principal, interest and prepaid finance charges, assuming you keep the loan to maturity and made only the required monthly payments.

Trade Lines
Trade lines are your different credit accounts listed on your credit report.

Trans Union
One of the three largest credit bureaus in the United States.

Transfer Tax
Tax paid when title passes from one owner to another.

Underwriting

In mortgage lending, the process of determining the risks involved in a particular loan and establishing suitable terms and conditions for the loan.

Username
A unique sequence of characters including letters and numbers which is generated by Quicken Loans and used as identification when logging on to My Quicken Loans. It is required to give you exclusive access to the status of your loan and your loan documents online.

Verification of Deposit (VOD)
Document signed by the borrower's bank or other financial institution verifying the borrower's account balance and history.

Verification of Employment (VOE)
Document signed by the borrower's employer verifying the borrower's position and salary.

Waiver
Voluntary relinquishment or surrender of some right or privilege.

Walk-through
A final inspection of a home to check for problems that may need to be corrected before closing.