Real Estate Terms

7/23 and 5/25 Mortgages: Mortgages with a one-time rate adjustment after seven years and five years, respectively.

3/1, 5/1, 7/1 and 10/1 ARMs: Adjustable-rate mortgages in which the rate is fixed for three-year, five-year, seven-year and 10-year periods, respectively, but may adjust annually after that.

A

Acceleration: The right of the mortgagee (lender) to demand the immediate repayment of the mortgage loan balance upon the default of the mortgager (borrower), or by using the right vested in the due-on-sale clause.

Adjustable-Rate Mortgage (ARM): A loan on which the monthly payments will increase or decrease over time, based on changes in the ARM?s interest rate index. ARM payments typically are adjusted every six months or once a year. Common indices to which ARMs are tied include the 11th District Cost of Funds, one-year T-note and six-month T-bill.

Adjusted Basis: The cost of a property plus the value of any capital expenditure for improvements to the property minus any depreciation taken.

Adjustment Date: The date that the interest rate changes on an adjustable-rate mortgage.

Adjustment Interval: The interval between changes on an adjustable-rate mortgage in the interest rate and/or monthly payment; typically one, three or five years depending on the index.

Adjustment Period: The period elapsing between adjustment dates for an adjustable-rate mortgage.

Affordability Analysis: An analysis of a buyer?s ability to afford the purchase of a home. Reviews income, liabilities and available funds. Considers the type of mortgage you plan to use, the area where you want to purchase a home and the probable closing costs.

Amortization: The gradual repayment of a mortgage through monthly (e.g. installment) payments. In the early years of a mortgage, most of the monthly payment goes toward interest. Later in the mortgage, more of the payment goes toward reducing the loan?s principal balance.

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

Annual Percentage Rate (APR): The annual cost of a mortgage, including interest, loan fees and other costs, stated as a percentage of the loan amount.

Appraisal/Appraised Value: An opinion of the market value of a home expressed by a real estate appraiser.

Arbitration: The term used to describe a form of dispute resolution that occurs outside of the court system, usually by private agreement between parties. Basically, arbitration is a dispute resolution system where the parties submit arguments and

evidence to a neutral person, known as the arbitrator, who then renders a decision, called an award, based upon the evidence and arguments presented.
Assessment: A local tax levied against a property for a specific community purpose, such as a sewer or streetlights.
Assignment: The transfer of a contractual interest or obligation from one person to another such as, but not limited to, a transfer of a mortgage obligation. Assignment is a legal term used to transfer interest from one contract to another.
Assumable Mortgage: An assumable mortgage can be transferred from the seller to the new buyer. Generally requires a credit review of the new borrower and lenders may charge a fee for the assumption. If a mortgage contains a due-on-sale clause, a new buyer may not assume the mortgage.
Assumption: The agreement between buyer and seller where the buyer takes over the payments on an existing mortgage from the seller. Assuming a loan can usually save the buyer money by acquiring an existing mortgage debt, instead of obtaining a new mortgage where closing costs and market-rate interest charges will apply.
Assumption Fee: The fee paid to a lender (usually by the purchaser of real property) when an assumption takes place.

B
Balloon Mortgage: A loan that is amortized for a longer period than the term of the loan. Usually this refers to a 30-year amortization and a five-year term. At the end of the term of the loan, the remaining outstanding principal on the loan is due.
Balloon Payment: The final lump sum paid at the maturity date of a balloon mortgage.
Biweekly Payment Mortgage: A plan to make mortgage payments every two weeks (instead of the standard monthly payment schedule). The 26 (or 27) biweekly payments are each equal to one-half of the monthly payment required if the loan were a standard 30-year fixed-rate mortgage. The result for the borrower is a substantial saving in interest.
Blanket Mortgage: A mortgage covering at least two pieces of real estate as security for the same mortgage.
Borrower (Mortgager): One who applies for and receives a loan in the form of a mortgage with the intention of repaying the loan in full.
Bridge Loan: A second trust for which the borrower?s present home is collateral, allowing the proceeds to be used to close on a new house before the present home is sold. Also known as a "swing loan."
Broker: An individual who assists with arranging funding or negotiating contracts for a client but who does not loan the money himself or herself. Brokers usually charge a fee or receive a commission for their services.
Buy-down: When the lender and/or the homebuilder subsidize a 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.

C
Caps: Provisions of an adjustable-rate mortgage limiting how much the interest rate can change at each adjustment period (e.g., every six months, once a year) or over the life of the loan (rate cap). A payment cap limits how much the payment due on the loan can increase or decrease.

Cash Flow: The amount of cash derived over a certain period of time from an income-producing property. The cash flow should be large enough to pay the expenses of the income-producing property (mortgage payment, maintenance, utilities, etc.).
Certificate of Eligibility: The document given to qualified veterans entitling them to VA-guaranteed loans for homes, businesses and mobile homes. Certificates of eligibility may be obtained by sending form DD-214 (Separation Paper) to the local Veterans Affairs office with VA form 1880 (request for Certificate of Eligibility).
Certificate of Reasonable Value (CRV): An appraisal issued by Veterans Affairs showing the property?s current market value.
Certificate of Veteran Status: The document given to veterans or reservists who have served 90 days of continuous active duty (including training time). It may be obtained by sending DD 214 to the local Veterans Affairs office with form 26-8261a (request for certificate of veteran status; this document enables veterans to obtain lower downpayments on certain FHA-insured loans).
Change Frequency: The frequency (in months) of payment and/or interest rate changes on an adjustable-rate mortgage.
Closing: The meeting at which a home sale is finalized. The buyer signs the mortgage, pays closing costs and receives title to the home. The seller pays closing costs and receives the net proceeds from the home sale.
Closing Costs: Expenses in addition to the price of the home incurred by buyers and sellers when a home is sold. Common closing costs include escrow fees, title insurance fees, document recording fees and real estate commissions.
COFI: An adjustable-rate mortgage with a rate that adjusts based on a cost-of-funds index, often the 11th District Cost of Funds.
Construction Loan: A short-term interim loan to pay for the construction of buildings or homes. These are usually designed to provide periodic disbursements to the builder as he or she progresses.
Consumer Reporting Agency (or Bureau): An organization that handles the preparation of reports used by lenders to determine a potential borrower?s credit history. The agency gets data for these reports from a credit repository and other sources.
Contingency: A condition that must be fulfilled before a contract is binding.
Contract Sale or Deed: A contract between purchaser and seller of real estate to convey title after certain conditions have been met. It is a form of installment sale.
Conventional Mortgage: A loan not guaranteed, insured or made by the federal or state government.
Conversion Clause: A provision in an adjustable-rate mortgage allowing the loan to be converted to a fixed-rate mortgage at some point during the term. Usually conversion is allowed at the end of the first adjustment period. The conversion feature may cost extra.
Counteroffer: An offer in response to an original offer.
Credit Report: A report documenting the credit history and current status of a borrower?s credit standing.
Credit Risk Score: A credit risk score is a statistical summary of the information contained in a consumer?s credit report. The most well-known type of credit risk score is the Fair, Isaac or FICO score. This form of credit scoring is a mathematical summary calculation that assigns numerical values to various pieces of information

in the credit report. The overall credit risk score is highly relative in the credit underwriting process for a mortgage loan.

D

Default: Failure to meet legal obligations in a contract, specifically, failure to make the monthly payments on a mortgage.
Deferred Interest: When a mortgage is written with a monthly payment that is less than required to satisfy the note rate, the unpaid interest is deferred by adding it to the loan balance.
Delinquency: Failure to make payments on time. This can lead to foreclosure.
Department of Veterans Affairs (VA): An independent agency of the federal government that guarantees long-term, low- or no-downpayment mortgages to eligible veterans.
Debt-To-Income (DTI) Ratio: The ratio of monthly debt payments to monthly gross income. Lenders use a housing DTI ratio (house payment divided by monthly income) and a total DTI ratio (total debt payments including the house payment divided by monthly income) to determine whether a borrower?s income qualifies him or her for a mortgage.
Deed: A legal document conveying ownership of property.
Downpayment: The portion of the home?s purchase price the buyer pays in cash.
Due-on-Sale-Clause: A provision in a mortgage or deed of trust that allows the lender to demand immediate payment of the balance of the mortgage if the mortgage holder sells the home.

E

Earnest Money: The deposit given by a buyer to a seller to show that the buyer is serious about purchasing the home. Earnest money usually is refundable to homebuyers in the event a contingency of the sales contract cannot be met.
Entitlement: The Veterans Affairs home loan benefit (i.e., entitlement for a VA-guaranteed home loan). This is also known as eligibility.
Equal Credit Opportunity Act (ECOA): A federal law requiring lenders and other creditors to make credit equally available without discrimination based on race, color, religion, national origin, age, sex, marital status, or receipt of income from public assistance programs.
Equity: The difference between a home?s value and the mortgage amount owed on the home.
Escrow: The holding of documents and money by a neutral third party prior to closing.
Escrow Disbursements: The use of escrow funds to pay real estate taxes, hazard insurance, mortgage insurance and other property expenses as they become due.
Escrow Payment: The part of a mortgager?s monthly payment that is held by the servicer to pay for taxes, hazard insurance, mortgage insurance, lease payments and other items as they become due.
Exclusive Right to Sell Listing: A contract giving an agent the exclusive right to market a property under a certain time frame.
Exclusive Agency Listing: A contract giving the broker the right to market an owner?s property for a certain period of time, but also allowing the owner to sell the property during that period without paying a commission.

F

Farmers Home Administration (FmHA): Provides financing to farmers and other qualified borrowers who are unable to obtain loans elsewhere.
Federal Housing Administration (FHA): A division of the Department of Housing and Urban Development whose main activity is insuring residential mortgage loans made by private lenders. FHA also sets standards for underwriting mortgages.
Federal National Mortgage Association (Fannie Mae): A privately owned corporation created by Congress that purchases and sells conventional residential mortgages as well as those insured by Federal Housing Administration or guaranteed by Veterans Affairs. This institution, which provides funds for one in seven mortgages, makes mortgage money more available and more affordable. Fannie Mae and Freddie Mac are the key secondary mortgage-market agencies.
FHA Loan: A loan insured by the Federal Housing Administration open to all qualified home purchasers. While there are limits to the size of FHA loans, they are generous enough to handle moderately priced homes almost anywhere in the country.
FHA Mortgage Insurance: Requires a fee (up to 2.25 percent of the loan amount) paid at closing to insure the loan with FHA. In addition, FHA mortgage insurance requires an annual fee of up to 0.5 percent of the current loan amount, paid in monthly installments. The lower the downpayment, the more years the fee must be paid.
Firm Commitment: A promise by Federal Housing Administration to insure a mortgage loan for a specified property and borrower. A promise from a lender to make a mortgage loan.
First Mortgage: The primary lien against a property.
Fixed Installment: The monthly payment due on a mortgage loan, including payment of both principal and interest.
Fixed-Rate Mortgage (FRM): A loan on which the interest rate and monthly payment do not change.
For Sale By Owner (FSBO): The owner sells his or her home without a REALTOR® to avoid paying a sales commission.
Foreclosure: A legal process by which the lender or the seller forces a sale of a mortgaged property because the borrower has not met the terms of the mortgage. Also known as a repossession of property.
Federal Home Loan Mortgage Corporation (Freddie Mac): A quasi-governmental, privately owned agency that purchases conventional mortgage from insured depository institutions and HUD-approved mortgage bankers. Fannie Mae and Freddie Mac are the key secondary mortgage-market agencies
Fully Amortized ARM: An adjustable-rate mortgage (ARM) with a monthly payment that is sufficient to amortize the remaining balance, at the interest accrual rate, over the amortization term.

G

Graduated-Payment Mortgage (GPM): A type of flexible-payment mortgage where the payments increase for a specified period of time and then level off. This type of mortgage has negative amortization built into it.
Growing-Equity Mortgage (GEM): A fixed-rate mortgage that provides scheduled payment increases over an established period of time. The increased amount of the

monthly payment is applied directly toward reducing the remaining balance of the mortgage.
Guaranty: A promise by one party to pay a debt or perform an obligation contracted by another if the original party fails to pay or perform according to a contract.
Guarantee Mortgage: A mortgage that is guaranteed by a third party.

H
Hazard Insurance: A form of insurance in which the insurance company protects the insured from specified losses, such as fire, windstorm and the like.
Homeowner?s Warranty: A policy that covers certain repairs (e.g. plumbing or heating) of a newly purchased home for a certain period of time.
Housing Expenses-to-Income Ratio: The ratio, expressed as a percentage, which results when a borrower?s housing expenses are divided by his or her gross monthly income.
HUD-1 statement: A document that provides an itemized listing of the funds that are payable at closing. Items that appear on the statement include real estate commissions, loan fees, points and initial escrow amounts. A separate number within a standardized numbering system represents each item on the statement. The totals at the bottom of the HUD-1 statement define the seller?s net proceeds and the buyer?s net payment at closing.

I
Impound Account: An account established by a lender to collect a borrower?s property tax and insurance payments. Impound accounts are normally required on mortgages with down payments of 10 percent or less.
Index: A published interest rate against which lenders measure the difference between the current interest rate on an adjustable rate mortgage and that earned by other investments (such as one-, three- and five-year U.S. Treasury security yields, the monthly average interest rate on loans closed by savings and loan institutions, and the monthly average costs-of-funds incurred by savings and loans), which is then used to adjust the interest rate on an adjustable mortgage up or down.
Indexed rate: The sum of the published index plus the margin. For example if the index were 9 percent and the margin 2.75 percent, the indexed rate would be 11.75 percent. Often, lenders charge less than the indexed rate the first year of an adjustable-rate mortgage.
Initial Interest Rate: This refers to the original interest rate of the mortgage at the time of closing. This rate changes for an adjustable-rate mortgage (ARM). It?s also known as "start rate" or "teaser."
Installment: The regular periodic payment that a borrower agrees to make to a lender.
Insured Mortgage: A mortgage that is protected by the Federal Housing Administration (FHA) or by private mortgage insurance (MI).
Interest: The fee charged for borrowing money.
Interest Accrual Rate: The percentage rate at which interest accrues on the mortgage. In most cases, it is also the rate used to calculate the monthly payments.
Interest Rate Buydown Plan: An arrangement that allows the property seller to deposit money to an account. That money is then released each month to reduce the mortgagor?s monthly payments during the early years of a mortgage.

Interest Rate Ceiling: For an adjustable-rate mortgage, the maximum interest rate as specified in the mortgage note.
Interest Rate Floor: For an adjustable-rate mortgage, the minimum interest rate as specified in the mortgage note.
Interim Financing: A construction loan made during completion of a building or a project. A permanent loan usually replaces this loan after completion.
Investor: A money source for a lender.

L
Lease-Purchase Mortgage Loan: An alternative financing option that allows low- and moderate-income homebuyers to lease a home with an option to buy. Each month?s rent payment consists of principal, interest, taxes and insurance (PITI) payments on the first mortgage plus an extra amount that accumulates in a savings account for a downpayment.
Liabilities: A person?s financial obligations. Liabilities include long-term and short-term debt.
Lien: A claim upon a piece of property for the payment or satisfaction of a debt or obligation.
Lifetime Payment Cap: For an adjustable-rate mortgage, a limit on the amount that payments can increase or decrease over the life of the mortgage.
Lifetime Rate Cap: For an adjustable-rate mortgage, a limit on the amount that the interest rate can increase or decrease over the life of the loan.
Listing: A property placed on the market by a listing agent.
Loan: A sum of borrowed money (principal) that is generally repaid with interest.
Loan-to-Value (LTV) Ratio: The ratio of the amount of money owed on a home to the home?s value. The LTV ratio for a $100,000 home financed with a $90,000 mortgage would be 90 percent, for example.
Lock: Lender?s guarantee that the mortgage rate quoted will be good for a specific number of days from day of application.

M
Margin: The amount a lender adds to the index on an adjustable-rate mortgage to establish the adjusted interest rate.
Market Value: The highest price that a buyer would pay and the lowest price a seller would accept on a property. Market value may be different from the price a property could actually be sold for at a given time.
Maturity: The date on which the principal balance of a loan becomes due and payable.
Mediation: A process used to resolve disputes. In mediation, the parties to the dispute are assisted by a neutral third person called a mediator. The mediator is not empowered to impose a settlement or decision on the parties; rather, the mediator facilitates discussions and negotiation between the parties with the goal of assisting the parties in reaching a mutually acceptable settlement of their dispute.
MIP (Mortgage Insurance Premium): Insurance from FHA to the lender against incurring a loss on account of the borrower?s default.
Monthly Fixed Installment: That portion of the total monthly payment that is applied toward principal and interest. When a mortgage negatively amortizes, the monthly fixed installment does not include any amount for principal reduction and doesn?t cover all of the interest. The loan balance therefore increases instead of decreasing.

Mortgage: A legal document that pledges a property to the lender as security for payment of a debt.
Mortgage Banker: A company that originates mortgages for sale into the secondary mortgage market (e.g., Fannie Mae and Freddie Mac).
Mortgage Broker: An individual or company that arranges mortgage financing between a borrower and a lender.
Mortgagee: The lender.
Mortgage Insurance: Money paid to insure the mortgage when the down payment is less than 20 percent.
Mortgage Life Insurance: A type of term life insurance specifying that in the event that the borrower dies while the policy is in force, the debt is automatically paid by insurance proceeds.
Mortgage Interest Deduction: The ability of mortgage borrowers to deduct the interest paid on a home loan for purposes of federal and state income taxes.
Mortgager: The borrower or homeowner.
Multiple Listings Service (MLS): The service combines the listings for all available homes in an area, except for For-Sale-By-Owner properties, in one directory or database.

N
Negative Amortization: Occurs when monthly payments are not large enough to pay all the interest due on the loan. This unpaid interest is added to the unpaid balance of the loan. The danger of negative amortization is that the homebuyer ends up owing more than the original amount of the loan.
Net Effective Income: The borrower?s gross income minus federal income tax.
Net Listing: A listing agreement in which the broker?s commission consists of the amount above a net price set by the owner. If the net price is not met, a commission is not earned.
Non-assumption Clause: A statement in a mortgage contract forbidding the assumption of the mortgage without the prior approval of the lender.
Note: A legal document that obligates a borrower to repay a mortgage loan at a stated interest rate during a specified period of time.

O
One-year Adjustable: Mortgage whose annual rate changes yearly. The rate is usually based on movements of a published index plus a specified margin chosen by the lender.
Open Listing: A property marketed by more than one agent at a time.
Origination Fee: A fee charged by a lender for making a mortgage.
Owner Financing: A property purchase transaction in which the party selling the property provides all or part of the financing.

P
Payment Change Date: The date when a new monthly payment amount takes effect on an adjustable-rate mortgage or a graduated-payment mortgage. Generally, the payment change date occurs in the month immediately after the adjustment date.
Periodic Payment Cap: A limit on the amount that payments can increase or decrease during any one adjustment period.

Periodic Rate Cap: A limit on the amount that the interest rate can increase or decrease during any one adjustment period, regardless of how high or low the index might be.
Permanent Loan: A long-term mortgage, usually 10 years or more. Also called an "end loan."
PITI: Principal, interest, taxes and insurance -- the primary components of a monthly mortgage payment.
Pledged-account Mortgage (PAM): Money is placed in a pledged savings account and this fund plus earned interest is gradually used to reduce mortgage payments.
Points: One point equals 1 percent of the mortgage amount. Points are charged by lenders to increase the lender?s return on the mortgage. Typically, lenders may charge anywhere from zero to two points. Loan points are tax-deductible.
Power of Attorney: A legal document authorizing one person to act on behalf of another.
Pre-approval: The process of determining how much money you will be eligible to borrow before you apply for a loan.
Prepaid Expenses: Necessary to create an escrow account or to adjust the seller?s existing escrow account. Can include taxes, hazard insurance, private mortgage insurance and special assessments.
Prepayment: A privilege in a mortgage permitting the borrower to make payments in advance of their due date.
Prepayment Penalty: Money charged for an early repayment of debt. Prepayment penalties are allowed in some form (but not necessarily imposed) in many states.
Primary Mortgage Market: Lenders, such as savings-and-loan associations, commercial banks and mortgage companies, who make mortgage loans directly to borrowers. These lenders sometimes sell their mortgages to the secondary mortgage markets.
Principal: The loan amount borrowed or still owed.
Private Mortgage Insurance (PMI): Insurance issued by private insurers that protects lenders against a loss if a borrower defaults on a mortgage with a low downpayment (e.g., less than 20 percent).

Q
Qualifying Ratios: Calculations used to determine if a borrower can qualify for a mortgage. They consist of two separate calculations: a housing expense as a percent of income ratio and total debt obligations as a percent of income ratio.

R
Rate Lock: A commitment issued by a lender to a borrower or other mortgage originator guaranteeing a specified interest rate and lender costs for a specified period of time.
Real Estate Settlement Procedures Act (RESPA): A consumer protection law that requires lenders to give borrowers advance notice of closing costs. RESPA is a federal law that, among other things, allows consumers to review information on known or estimated settlement cost after application and prior to or at settlement. The law requires lenders to furnish the information after application only.
REALTOR®: A real estate broker or agent who, as a member of a local association of REALTORS®, a state association of REALTORS® and the NATIONAL ASSOCIATION OF REALTORS® (link to www.onerealtorplace.com), adheres to

high standards of professionalism and a strict code of ethics.
Recission: The cancellation of a contract by putting all parties back to the position before they entered the contract. In some mortgage financing situations involving equity in the home as security, the law gives the homeowner three days to cancel a contract.
Recording Fees: Money paid to the lender for recording a home sale with the local authorities, thereby making it part of the public records.
Refinance: Obtaining a new mortgage loan on a property already owned. Often to replace existing loans on the property.
Renegotiable Rate Mortgage: A loan in which the interest rate is adjusted periodically.
Reverse Annuity Mortgage (RAM): A form of mortgage in which the lender makes periodic payments to the borrower using the borrower?s equity in the home as collateral for and repayment of the loan.
Revolving Liability: A credit arrangement, such as a credit card, that allows a customer to borrow against a pre-approved line of credit when purchasing goods and services.

S
Satisfaction of Mortgage: The document issued by the mortgagee when the mortgage loan is paid in full. Also called a "release of mortgage."
Second Mortgage: A mortgage made subsequent to another mortgage and subordinate to the first one.
Secondary Mortgage Market: The place where primary mortgage lenders sell the mortgages they make to obtain more funds to originate more new loans. It provides liquidity for the lenders.
Security: The property that will be pledged as collateral for a loan.
Seller Carry-back: An agreement in which the seller provides financing, often in combination with an assumable mortgage.
Seller Financing: A financing agreement in which a seller provides part (or all) of the financing needed by a buyer to purchase the seller?s home.
Servicer: An organization that collects principal and interest payments from borrowers and manages borrowers? escrow accounts. The servicer often services mortgages that have been purchased by an investor in the secondary mortgage market.
Servicing: All the steps and operations a lender performs to keep a loan in good standing, such as collection of payments, payment of taxes, insurance, property inspections and the like.
Shared-Appreciation Mortgage (SAM): A mortgage in which a borrower receives a below-market interest rate in return for which the lender (or another investor such as a family member or other partner) receives a portion of the future appreciation in the value of the property. May also apply to a mortgage where the borrower shares the monthly principal and interest payments with another party in exchange for part of the appreciation.
Simple Interest: Interest that is computed only on the principle balance.
Standard Payment Calculation: The method used to determine the monthly payment required to repay the remaining balance of a mortgage in substantially equal installments over the remaining term of the mortgage at the current interest rate.

Step-Rate Mortgage: A mortgage that allows for the interest rate to increase according to a specified schedule (i.e., seven years), resulting in increased payments as well. At the end of the specified period, the rate and payments will remain constant for the remainder of the loan.
Survey: A measurement of land, prepared by a registered land surveyor, showing the location of the land with reference to known points, its dimensions, and the location and dimensions of any buildings.
Sweat Equity: Equity created by a purchaser performing work on a property being purchased.

T
Third-Party Origination: When a lender uses another party to completely or partially originate, process, underwrite, close, fund or package the mortgages it plans to deliver to the secondary mortgage market.
Title: A legal concept relating to ownership of property.
Title Insurance: Insurance to protect the buyer and lender against losses arising from disputes over the ownership of a property.
Title Search: An examination of public records to determine the legal ownership of property. Usually the records are recorded with the County Recorders office. The search is usually performed by a title company using computerized records.
Total Expense Ratio: Total obligations as a percentage of gross monthly income including monthly housing expenses plus other monthly debts.
Truth In Lending Act: A federal law requiring disclosure of the annual percentage rate to homebuyers shortly after they apply for the loan. Also known as Regulation Z.
Two-Step Mortgage: A mortgage in which the borrower receives a below-market interest rate for a specified number of years (most often seven or 10), and then receives a new interest rate adjusted (within certain limits) to market conditions at that time. The lender sometimes has the option to call the loan due with 30 days notice at the end of seven or 10 years.

U
Underwriting: The process of evaluating a loan application to determine if it meets the lender?s standards.
Usury: Interest charged in excess of the legal rate established by law.

V
VA Loan: A long-term, low- or no-downpayment loan guaranteed by the Department of Veterans Affairs. Restricted to individuals qualified by military service or other entitlements.
VA Mortgage Funding Fee: A premium of up to 1.5 percent (depending on the size of the downpayment) paid on a VA-backed loan. On a $75,000 fixed-rate mortgage with no down payment, this would amount to $1,406 either paid at closing or added to the amount financed.
Verification of Deposit (VOD): A document signed by the borrower?s financial institution verifying the status and balance of that person?s financial accounts.

W
Warehouse Fee: Many mortgage firms must borrow funds on a short-term basis in order to originate loans that are to be sold later in the secondary mortgage market or

to investors. When the prime rate of interest is higher on short-term loans than on mortgage loans, the mortgage firm has an economic loss that is offset by charging a warehouse fee.

Wraparound Mortgage: Results when an existing assumable loan is combined with a new loan, resulting in an interest rate somewhere between the old rate and the current market rate. The payments are made to a second lender or the previous homeowner, who then forwards the payments to the first lender after taking the additional amount off the top.