Glossary of Terms

- **401(k) Plan**: A 401(k) plan is a tax-advantaged defined contribution retirement account offered by some employers. Participating employees can make contributions to their accounts through automatic payroll withholding and employers can match some or all of the contributions. Employees choose their own investment mix in the account.
- **"A" Loan**: An "A" loan is the credit industry term used to describe a loan that reflects the best possible interest rate, terms, and conditions. Consumers need to demonstrate good credit in order to secure an "A" loan.
- **Adjustable-Rate Mortgage (ARM)**: Also known as a variable-rate loan, ARMs usually offer a lower initial rate than fixed-rate loans. The interest rate can change at specified time periods based on changes in an interest rate index that reflects current finance market conditions. The ARM promissory note states the index that is used to determine your interest rate (for example, the Treasury index). The promissory note also states maximum and minimum rates. When the interest rate on an ARM increases, the monthly payments will increase and when the interest rate on an ARM decreases, the monthly payments will decrease.
- **Amortization**: Amortization is the term used to describe the gradual reduction of the outstanding balance of the loan as the amount of the loan is paid down over a predetermined period of time at a specific interest rate.
- **Amortization Schedule**: Provided by mortgage lenders, the schedule shows how over the term of your mortgage, the principal portion of the mortgage payment increases and the interest portion of the mortgage payment decreases.
- **AnnualCreditReport.com**: The Fair and Accurate Credit Transactions (FACT) Act of 2003, as amended, requires that all three major credit reporting agencies/credit bureaus (Experian®, Equifax® and TransUnion®) provide credit reports to each consumer once a year upon request, free of charge. The website annualcreditreport.com is the official site that consumers can use to order a free annual credit report.
- **Annual Fee**: An annual fee is a once-a-year charge imposed by many credit card issuers. This fee is in addition to the interest charged on purchases and cash advances.
- **Annual Percentage Rate (APR)**: APR is the total cost of money borrowed and includes interest, as well as points and fees and other charges that you pay to get a loan. It is different than a loan interest rate because it includes application or origination fees within its calculation.
- **Application Fee**: A one-time fee charged by the lender to cover the cost of processing the application.
- **Appraisal**: The appraisal is an unbiased evaluation of the market value of a property conducted by a professional home appraiser.
- **Appraiser**: A professional who works for an appraisal company to offer a fair market evaluation of homes or other personal property.

- **Appreciation**: Appreciation is the term used to describe an increase in the market value of a home due to changing market conditions and/or home improvements.
- **Area Median Income (AMI)**: AMI is the median (average) household income within a certain geographic area. AMI is calculated and published annually by the U.S. Department of Housing and Urban Development (HUD). AMI is a key factor for determining eligibility for many down payment assistance programs.
- **Assessed Value**: The value assigned to a property by the local municipality in order to calculate property taxes.
- **Assets**: Things of value an individual or entity owns, such as a vehicle. Examples of assets that may be used for mortgage qualification include bank accounts or retirement accounts.
- **Assumption**: Alternative to foreclosure that permits a qualified buyer to take over a mortgage debt and payments from a delinquent homeowner.
- **Automated Teller Machine (ATM)**: ATMs typically offer consumers convenient access to withdraw, deposit and transfer funds or obtain balance inquiries from banks or credit unions.
- **Attorney**: An individual who has completed law school, is licensed under state law and is legally practicing law. Real estate attorneys focus on reviewing documents for the sale or purchase of a home and provide guidance to buyers, sellers or lenders.
- **Automated Underwriting System (AUS)**: Automated underwriting systems are designed to dramatically speed up the lending process by assessing key borrower information such as employment, income, assets, liabilities, credit history, debt ratios, and property securing the loan. Lenders rely on these systems to identify the risk characteristics of the mortgage loan transaction. Automated underwriting systems never use factors such as a borrower's race, ethnicity, age, or any other factor prohibited by the nation's fair housing laws to approve or deny a loan. The final approval may still fall to the underwriter as each of the 4 Cs (capacity, capital, credit, and collateral) is evaluated based on additional criteria that the lender may have.
- **Avalanche Debt Repayment Method**: A debt repayment method that involves paying off the loan with the highest interest rate first while making minimum payments on other debts. Once that balance is paid, the amount gets applied to repay the loan with the next highest interest rate.
- **“B” or “C” Loan**: A “B” or “C” loan is the credit industry term used to describe a loan that reflects less than the best possible interest rate, terms, and conditions. Consumers with negative or derogatory credit may be offered “B” or “C” loans. These loans always impose a higher interest rate and fees.
- **Bad Debt**: Bad debt is the term used by the credit industry for loans or debts which have been unpaid by the borrower or have gone into default. Bad debts are typically turned over to a collection company to attempt to collect the outstanding balance of the loan or debt.
- **Balance**: The amount of money you have in your bank account. It can also refer to the amount owed in a credit account or loan.

- **Balloon Mortgage**: A mortgage with monthly payments based on a 30-year amortization schedule with the unpaid principal balance due in a lump sum payment at the end of a specific period (such as 5 or 10 years) earlier than 30 years, where the payment "balloons" into a larger payment. After the Great Recession, these mortgages became relatively rare given their risk characteristics.
- **Bank**: A federally regulated financial institution that offers you a place to keep your money and uses it to earn more money. Banks make loans, cash checks, accept deposits, and provide other financial services.
- **Bankruptcy**: Bankruptcy is the term used to describe the legal process undertaken by individuals in the situation of being unable to pay their debts. Although there are several types (chapters) of bankruptcy, consumers generally may explore either Chapter 7 Bankruptcy or Chapter 13 Bankruptcy. Chapter 7 Bankruptcy results in "liquidation" of the debtor's assets, meaning that most assets are sold to pay as much debt as possible. The rest of the debt is forgiven or "discharged." Chapter 13 Bankruptcy is used for "rehabilitation" of the debtor, meaning that at least a portion of all debt is repaid according to a plan set up by the bankruptcy court.
- **Binding Mandatory Arbitration**: A third party arbitrator decides the outcome of your dispute, eliminating your right to present your case in court.
- **Bonds**: Bonds are a type of security which represent loans made by investors to borrowers for a certain period of time.
- **Borrower**: Borrower is the term for the person or entity using someone else's money or funds to purchase something. The term borrower can generally be used interchangeably with the term debtor.
- **Branch Manager**: The person who supervises the bank or credit union operations and helps fix problems that cannot be solved by other bank or credit union workers.
- **Budgeting**: Budgeting is the practice of evaluating and allocating income for financial planning purposes. Budgets (or spending plans) help individuals and families make decisions about spending and achieving financial goals.
- **Capacity**: Capacity is another term for income. Lenders examine the ability of a potential borrower to demonstrate that his or her income is sufficient to repay a loan.
- **Capital**: Capital refers to the cash reserves (savings), investments or assets possessed by an individual.
- **Cash Reserves**: Cash reserves is another term for capital. Cash reserves may take the form of savings, money market funds or other investments which may be converted to cash.
- **Cash Value**: When purchasing home insurance, coverage listed as cash value means the insurance company will make payment in the amount of the current value of the item, should the item be stolen or become broken or damaged due to an allowable peril.
- **Certificate of Deposit (CD)**: CDs are savings accounts that are federally insured and offered by banks and credit unions. The funds need to stay in the

bank or credit union for a set period of time in order to earn the agreed upon interest rate.

- **Charge-offs**: A charge-off is the term used to describe loans or debts which have gone unpaid by the borrower. Simply put, in the case of a charge-off, the creditor “gives up” on collecting payment and reports the “charge-off” to the credit reporting agency for on an individual’s credit report. Most lenders, however, regard “charge-offs” as debts which are still owed.
- **Checking Account**: An account that lets you write checks or transfer funds electronically to pay bills or to buy goods. The financial institution takes the money from your account and pays it to the recipient. The financial institution sends you a monthly statement of the deposits made and the checks written/funds transferred out through the use of an ATM, at the bank branch or using online banking.
- **Closing**: The official meeting or appointment to finalize paperwork in the purchase of a home. Usually the homebuyer and seller attend the closing as well as closing agents, attorneys and real estate agents.
- **Closing Costs**: Closing costs are the costs to complete the real estate transaction. These costs are in addition to the price of the home and are paid at closing. They include points, taxes, title insurance, financing costs, items that must be prepaid or escrowed, and other costs. Ask a lender or real estate professional for a complete list of closing cost items in advance of the closing appointment.
- **Closing Disclosure**: Lenders are required to provide borrowers (homebuyers) and sellers with a five-page closing disclosure three business days prior to a loan closing. The closing disclosure outlines all closing costs to be paid in connection with the loan, as well as loan terms (the loan amount, loan terms, fees and monthly payments. and other disclosures, etc.).
- **Co-signer**: A co-signer is a term used to describe an individual who signs a loan or credit application with another person and signs the Note promising to pay if the primary borrower doesn’t repay the loan. The co-signer's credit is affected, along with the primary borrower’s credit, so it is important for co-signers to be mindful of the risks and responsibilities of co-signing on a loan. A co-signer can be a co-borrower or a guarantor.
- **Collateral**: Collateral is the borrower's pledge of property to a lender to secure repayment of a loan. Relative to home mortgages, collateral is the property the borrower wishes to purchase (or refinance). If the debtor fails to pay the loan, the creditor may force the debtor to sell the collateral to satisfy the debt or may foreclose and repossess the property to satisfy the debt.
- **Collection**: See Collection Account.
- **Collection Account/ Collection**: A collection account is the term used to describe a loan or debt that has been referred by a creditor to an agency whose primary business is to collect outstanding debt obligations. These types of accounts will normally appear on the debtor’s credit report.
- **Commitment Letter**: Once an application is approved, the lender issues a commitment letter which outlines the loan amount and terms of the loan offered to the borrower and the conditions required to be satisfied prior to closing.

- **Compensating Factors**: Compensating factors is the term used by lenders in relation to examining a borrower's credit strengths and weaknesses. If a homebuyer is exceptionally strong in one area, such as cash reserves, he or she may be weaker in another area, such as less than perfect credit due to late payments. In this case, the amount of cash reserves may compensate for the derogatory credit.
- **Consolidation**: Loan consolidation is combining multiple, independent loan amounts into one loan with one payment. Consolidation may help potential homebuyers by decreasing their overall monthly debt payment; however, consumers should take caution before consolidating loans. Consolidation cannot be undone and can sometimes result in longer payment terms that are more expensive in the long run.
- **Consumer Financial Protection Bureau (CFPB)**: The CFPB is a U.S. government agency that (1) regulates the offering and provision of consumer financial products or services, and issues related regulations under the federal consumer financial laws and (2) educates and empowers consumers to make better informed financial decisions. Learn more at www.consumerfinance.gov.
- **Consumer Protection Act**: The Consumer Credit Protection Act encompasses a number of consumer protections and includes several important federal laws including the Truth in Lending Act, the Fair Credit Reporting Act, the Equal Credit Opportunity Act and the Fair Debt Collection Practices Act.
- **Contingencies**: Certain conditions or actions that must be met in order for a home purchase to go through. Common contingencies include home inspections and/or water tests and should be listed in the purchase offer.
- **Conveyances**: Conveyances are items on or within a property that transfer along with the property. For example, typical items that convey are kitchen appliances.
- **Cooperative**: A Cooperative Unit (also known as a co-op) has shareholders in a corporation that owns the property. A shareholder has the right to exclusive use of a housing unit in the property.
- **Credit**: Credit is the concept of using tomorrow's money to pay for something you get today. Credit is a promise to repay a debt for goods and services. Credit may be extended via several means, including credit cards, personal loans, car loans, and home mortgages.
- **Credit Bureau**: A credit bureau is a company that collects and retains credit information on all persons using credit in the credit system and provides that information for a fee in the form of a credit report to lenders or creditors who have a permissible purpose to obtain the report. A credit bureau is also commonly referred to as a credit reporting agency. There are three main credit bureaus: Equifax, Experian, and TransUnion.
- **Credit Counseling**: Counseling that helps people manage money, credit or debt and prepare them to obtain a loan for homeownership or prepare them for other life goals.
- **Credit Grantor**: Credit grantor is the term used to describe the person, financial institution, or entity which is providing a loan or credit.

- **Credit History**: A credit history is a record of credit use. It comprises a list of individual consumer debts and an indication as to whether these debts were paid back in a timely fashion or "as agreed." Credit reporting agencies/credit bureaus have developed a complex recording system of documenting your credit history. This is called a credit report. The three major credit reporting agencies (Experian, Equifax and TransUnion) provide consumer credit reports.
- **Credit Repair Companies**: Credit repair companies are private, for-profit businesses that claim to offer consumers with assistance for credit and debt repayment difficulties by "fixing" their credit problems and/or "fixing" an impaired credit report. Many companies that offer to fix a consumer's credit fast are predatory entities. They are not the same as reputable credit counseling organizations that can help consumers rebuild credit.
- **Credit Report**: A credit report provides a history of your use of credit. Specifically, it's a file maintained by a credit reporting agency/credit bureau that contains information about a person, such as where the individual works and lives; information reported to the credit reporting agency by creditors regarding money borrowed and payments made; and public record information, such as whether the person has filed for bankruptcy. The three major credit reporting agencies are Experian, Equifax and TransUnion.
- **Credit Reporting Agency**: A credit reporting agency is a company that collects and retains credit information on all persons using credit in the credit system and provides that information for a fee in the form of a credit report to lenders or creditors who have a permissible purpose to obtain the report. A credit reporting agency is also commonly referred to as a credit bureau. There are three main credit reporting agencies: Equifax, Experian, and TransUnion.
- **Credit Risk**: Credit risk is the term within the credit industry to refer to the level of risk or likelihood of an individual borrower's potential for default.
- **Credit Score**: A credit score is a numerical value determined by a statistical model based upon past credit behaviors, which predicts the likelihood of future loan default. The two major credit scoring models are the FICO® Score and VantageScore® and each have different versions of their scores that are used by different lending institutions.
- **Credit Union**: A federally regulated cooperative financial institution that is owned by the people who use its services. Credit unions serve groups that share something in common, like where they work or worship. You have to become a member of the credit union to keep your money there. Credit unions offer financial products and services, such as checking or savings accounts and loans.
- **Creditor**: Creditor is the term used for the person or entity that is providing credit or a loan to a borrower at specific terms and conditions. The term creditor can generally be used interchangeably with the term lender.
- **Creditworthiness**: Creditworthiness is the term used to describe the state or condition of an individual's overall credit. Individuals who have established credit and maintain a positive credit history are deemed creditworthy, i.e., an acceptable risk for the extension of additional credit based upon their ability and willingness to repay past and current debt obligations.

- **Debit Card**: A plastic card, sometimes called a “check card.” The debit card has a MasterCard® or Visa® logo and a magnetic strip on the back that allows you to pay for goods and services at stores and other businesses that accept these charge cards, as well as be used as an ATM card. When you use a debit card, the money comes out of your bank’s or credit union’s checking account, unless you are using a pre-paid debit card, which does not require a bank or credit union account. A debit card is not the same as a credit card.
- **Debt**: What is owed to a person or institution for obtaining merchandise or services without immediately paying for them. Usually, a debt is acquired through a loan or the use of credit.
- **Debtor**: Debtor is the term for the person or entity which is borrowing money. The term debtor can generally be used interchangeably with the term borrower.
- **Debt-to-Income (DTI) Ratio**: A debt-to-income ratio is the mathematical calculation of debts to income. The amount of your monthly debts divided by your gross monthly income (including your housing payment) equals your debt-to-income ratio.
- **Deed**: A deed is a legal document that shows ownership of a particular property and is also used to transfer ownership.
- **Deed in Lieu of Foreclosure**: An alternative to foreclosure that allows the voluntary transfer of the title of the property back to the loan servicer in exchange for cancellation of the mortgage debt.
- **Default**: A default is a failure to meet a payment or fulfill a credit obligation.
- **Delinquency**: Delinquency refers to any late payment on a loan or credit card.
- **Deposit**: Money you add to your bank, credit union or other financial institution’s account.
- **Depreciation**: A decline in the market value of a home due to changing market conditions or the condition of the home.
- **Derogatory Information**: Derogatory information is negative information on a credit report such as late payments, collections, or foreclosures, which can negatively impact a consumer’s ability to obtain a loan.
- **Down Payment**: The cash that a homebuyer pays toward the purchase of a home.
- **Down-Payment Assistance (DPA) Programs**: DPA programs are typically second or third mortgage or grant programs offered by nonprofit organizations, employers or state or local government entities that help people purchase a home. DPA programs are generally for low- to moderate-income families or first-time homebuyers (FTHBs).
- **Earnest Money**: This is a deposit made to the seller that shows the homebuyer is truly interested in buying the home and will follow through with the transaction.
- **Emergency Fund**: Funds that are set aside for life’s emergencies, such as medical expenses, disaster recovery or loss of income. It is best to have an emergency fund that equals at least three to six months of living expenses.
- **Equal Credit Opportunity Act**: A U.S. law enacted in 1974 that makes it illegal for any creditor to discriminate against any applicant based on race, color, national origin, age, sex, marital status, receipt of income from public assistance

programs, or the applicant's good faith exercise of his or her rights under the Federal Consumer Credit Protection Act.

- **Equity**: The ownership interest in a property, minus any debts owed on the property. For a home with a mortgage, home equity can build up by paying down your loan balance through regular or accelerated mortgage payments, adding improvements to your home that can increase the home's value or by the home increasing in market value (also known as appreciation).
- **Escrow or Escrow Account**: A secure bank account used to hold funds for a real estate transaction and/or payment for property insurance and property taxes.
- **Escrow Agent**: The entity that holds funds for a property while a transaction is in process.
- **Expenses**: Fees or payments made to an individual, business or other entity for specific items or services.
- **The Fair and Accurate Credit Transactions (FACT) Act**: Passed in 2003, the FACT Act requires that all three major credit reporting agencies/credit bureaus provide consumers their credit reports annually, free of charge. These credit reports can be accessed at annualcreditreport.com.
- **Fair Credit Billing Act**: A law that protects consumers from unfair billing practices and allows consumers to dispute incorrect information on credit card bills.
- **Fair Credit Reporting Act**: A law regulating consumer credit information, credit reporting agencies, and users and furnishers of consumer credit information. This law allows consumers to dispute incorrect information on credit reports.
- **Fair Debt Collection Practices Act**: A law that prohibits debt collection agencies from harassing or using abusive practices when attempting to collect debt from consumers.
- **Fair Housing Act**: A law that prohibits discrimination in housing and all real estate transactions. The Fair Housing Act protects against discrimination based on race, color, religion, sex, national origin, disability or familial status.
- **Federal Emergency Management Agency (FEMA)**: A department within the U.S. Department of Homeland Security that is tasked with supporting people in America and first responders so they can prevent, prepare for, respond to and recover from emergencies and disasters.
- **Federal Trade Commission**: A federal agency that regulates and has a mission to protect consumers and competition by preventing anticompetitive, deceptive, and unfair business practices through law enforcement, advocacy and education without unduly burdening legitimate business activity.
- **Fees:** A monetary fee or price that a consumer pays for services, including fees required to obtain a mortgage loan.
- **FHA Loan**: A loan provided by the Federal Housing Administration for low- to moderate-income borrowers that allows low down payments and credit scores.
- **FICO**: A credit scoring model developed by the Fair Isaac Corporation (a data analytics company) that is used by many creditors, including mortgage lenders,

to evaluate borrower creditworthiness. The FICO score ranges from 300 to 850. Learn more at myFICO.com.

- **Final Walk-Through**: The final walk-through is an opportunity for the homebuyer to walk through the property to make sure conveyances are in place and the property is in the agreed-upon condition as stated in the purchase offer.
- **Fixed Expenses**: A regular expense that does not change from one month to the next such as a loan payment.
- **Fixed-Rate Mortgage**: A mortgage loan with a stable interest rate that does not change. This means the monthly principal and interest payment stays the same for the life of the loan.
- **Flood Insurance**: Flood insurance is a type of property insurance that covers a home for losses resulting from water damage related to flooding. Flood damage to a home is not typically covered by homeowner's or renter's insurance. National Flood Insurance Program (NFIP) policies can be purchased through insurance agents. You can contact the NFIP Help Center at 800-427-4661 if your insurance agent does not sell flood insurance. NFIP flood insurance policies can only be purchased for properties within communities that participate in the NFIP. Homes in high-risk flood areas with mortgages from federally regulated or insured lenders are required to have flood insurance. Your lender may require you to have flood insurance. See floodsmart.gov for more information.
- **Forbearance Agreement**: A forbearance agreement allows you to pay less than the full amount of your mortgage payments, or pay nothing for a short period with the understanding that another option will be used afterwards to bring the account current. Mortgage companies may consider forbearance when you can show that a bonus, tax refund, or other source will let you bring the mortgage current at a specific time in the future. If you become unemployed, forbearance may be an option that your loan servicer could offer you.
- **Foreclosure**: The legal process by which a lender takes possession of a property if a homeowner fails to pay the mortgage loan.
- **Four C's of Lending**: The Four C's of Lending – capacity, capital, credit, and collateral – provide a framework for lenders to evaluate the creditworthiness of a potential borrower.
- **Gift Letter**: A letter that a donor (such as a family member) writes verifying that he or she has given a consumer a certain amount of money as a gift and that the consumer does not have to repay it. The consumer can use this money towards funding a portion of a down payment for some mortgage products.
- **Good Credit**: Good credit is the term commonly used to mean that one's credit has been handled responsibly and that payments have been made on time. Good credit is measured by a credit score (such as the FICO Score or VantageScore) and credit history, which is recorded in a credit report.
- **Good Faith Estimate (GFE)**: See Loan Estimate.
- **Grace Period**: A grace period is the amount of time before which additional interest, late fees, and/or penalties are imposed for receipt of a loan or credit payment beyond its due date. Not all loans or credit accounts allow a grace period. Grace periods may also refer to the amount of time before a payment is due. Relating to credit cards, the period allowed is usually 20–25 days in which

the consumer has to pay off new purchases, if there is no previous balance, without being charged interest. Credit card companies must ensure that bills are mailed or delivered at least 21 days before payment is due.

- **Graduated Payment Mortgage**: A mortgage loan that starts out with low monthly payments, which then increase over a period of years. When the payment reaches a certain amount, the payments stay fixed at that amount for the rest of the loan.
- **Gross Income**: Gross income is the amount of income earned prior to any deductions, such as for taxes, Social Security withholdings or employer-provided health insurance.
- **Gross Monthly Income**: The income you earn in a month before taxes and other deductions. Under certain circumstances, it may also include rental income, self-employed income, income from alimony, child support, public assistance payments or retirement benefits.
- **Habitat for Humanity**: A nonprofit organization that helps families with lower incomes attain decent and affordable homeownership through self-reliance.
- **Hard Inquiry**: The term inquiry is used to describe the process used by individuals or businesses to request a copy of a consumer's credit report. Hard inquiries occur every time a consumer applies for a loan, credit card or other type of account. Hard inquiries usually cause a credit score to decrease.
- **HomeOne**: HomeOne is a conventional conforming mortgage loan product offered by Freddie Mac that is designed for first-time homebuyers regardless of income levels. The product is available through participating lenders and allows a low, 3% down payment.
- **Home Possible**: Home Possible is a conventional conforming mortgage loan product offered by Freddie Mac that is designed for very low- to moderate-income borrowers who are at or below 80% of the Area Median Income. Home Possible loans are offered through participating lenders to homebuyers and can be used alongside secondary financing. These loans allow down payments as low as 3%.
- **Housing Finance Agency (HFA)**: State and local housing finance agencies (HFAs) are a source of affordable housing for their residents. State HFAs are state-chartered authorities established to administer a wide range of affordable housing and community development programs, including homeownership programs. Similarly, local HFAs may offer homebuyer programs for low- and moderate-income families.
- **Home Equity Conversion Mortgage (HECM)**: A type of reverse mortgage that is only available if the homeowner is at least 62 years old. It lets the homeowner receive part of their equity each month instead of making monthly mortgage payments. The homeowner is not responsible for repaying the mortgage as long as they live in the home as the principal residence. To be eligible, the homeowner must participate in a consumer information session provided by a HUD-approved HECM counselor.
- **Home Equity Line of Credit (HELOC)**: A home equity line of credit is a revolving line of credit similar to a credit card, secured against your home. You can borrow money (up to the credit limit -- the amount for which you are

approved) and repay and reborrow some or all of the outstanding balance and reborrow from the credit line as often as you want during the term of the line, as long as you have not exceeded the credit limit. You may use those funds for any purpose. A HELOC's interest rate is usually an adjustable rate, so the rate can rise or fall, and your minimum monthly payment would increase or decrease accordingly.

- **Home Equity Loan**: A home equity loan is a second mortgage secured against your home (your home is the collateral). The loan is usually for a set amount and has fixed interest rates that are higher than the first mortgage. The funds can be used for home improvements or other purchases.
- **Home Inspection**: A thorough and professional examination of a property that outlines the property conditions and identifies any structural, mechanical, health or safety issues. It is usually conducted by a trained, certified or licensed home inspector.
- **Home Inspector**: A home inspector is hired by the homebuyer to do a thorough evaluation of the property. See Home Inspection.
- **Homeowners Association (HOA)**: An organization of residents that creates and enforces rules for the properties within the community, condominium or subdivision in which they live, oversees the property and its common areas and addresses maintenance issues. HOAs and condominium associations typically have an elected board of directors or governors that enforce the rules and regulations of the association, as defined in a document such as the Declaration of Covenants, Conditions and Restrictions (CR&Rs). Residents are expected to pay HOA fees if they live in a community with an HOA.
- **Homeowners Insurance**: Homeowner's insurance is a policy that protects the homeowner and the mortgage company (servicer) from (1) losses resulting from perils like fire or wind, which may damage the structure of the home, (2) liability (such as injury to a visitor to your home) or (3) damage to, or theft of, your personal property (such as furniture, clothes, or appliances).
- **Homeownership Education**: Offered through nonprofit organizations, housing counselors, homeownership education providers or mortgage industry entities, homeownership education provides information on assessing readiness to buy a home, budgeting and credit, financing and selecting a home, maintaining a home and finances, community involvement, sustaining homeownership and avoiding delinquency and foreclosure. It is common for courses to be offered online or classes to be offered in-person in group settings.
- **Housing Counselor**: A housing counselor is a trained professional who works with consumers, including homebuyers or homeowners on topics or issues pertaining to rental housing, homeownership or purchasing a home. HUD-certified housing counselors are helpful advisors who provide services such as pre-purchase, delinquency, foreclosure prevention or post-purchase housing counseling in person or by telephone. Some services are free, while others may be provided at low cost. Consumers can search for nonprofit HUD-approved housing counseling agencies here: https://www.consumerfinance.gov/find-a-housing-counselor/

- **Housing Expense Ratio**: The percentage of your qualifying gross monthly income that goes toward paying for your total housing payment. Qualifying income is based on the source and type of income, income stability/length of time it has been received, and time period the income is expected to continue. The total housing payment includes **P**rincipal and **I**nterest payments, property **T**axes, homeowner's **I**nsurance, private mortgage **I**nsurance (if applicable), and homeowners **A**ssociation or condominium fees or special **A**ssessments (if applicable) or "PITIA" for short.
- **HUD**: The U.S. Department of Housing and Urban Development (HUD) is a cabinet level federal government agency responsible for national policy and programs that address America's housing needs, improve and develop communities, and enforce fair housing laws.
- **HUD 184 Loans**: The Section 184 Indian Home Loan Guarantee Program (HUD 184 loan) is designated for American Indian and Alaska Native families, villages, tribes or housing entities. These loans offer low down payments and flexible underwriting and can be used for new construction, purchase of an existing home, rehabilitation or refinance on tribal lands or off Native lands.
- **HUD-Approved Housing Counseling Agency**: Housing counseling agencies employ trained professionals called housing counselors who work with consumers, including homebuyers or homeowners on topics or issues pertaining to rental housing, homeownership or purchasing a home. HUD-approved nonprofit housing counseling agencies provide services such as pre-purchase, delinquency, foreclosure prevention or post-purchase housing counseling or education in person or by telephone. Some services are free, while others may be provided at low cost. Consumers can search for nonprofit HUD-approved housing counseling agencies at: https://www.consumerfinance.gov/find-a-housing-counselor/
- **Identity Theft**: Fraudulent use of someone's personal information or identity (such as a Social Security Number) to open new accounts, make purchases or get a tax refund. Visit www.identitytheft.gov for more information.
- **Impaired Credit**: Impaired credit is a term commonly used to indicate that payments have been made beyond the due date and/or that credit reports contain items such as bankruptcies, judgments, liens, foreclosures, charge-off accounts or other items viewed negatively by the credit industry.
- **Income**: Income is money received for work completed or the sale of goods or services. Income may also be gained through investments.
- **Index**: An economic indicator a lender uses to compute interest rate changes. Rates typically rise when the index increases and fall when the index deceases.
- **Individual Retirement Account (IRA)**: An Individual Retirement Account is an account established with a financial institution that an individual can use to save for retirement on a tax-deferred or tax-free growth basis.
- **Inflation**: Inflation is an increase in the general level of prices and a decrease in the purchasing value of money.
- **Inquiry**: The term inquiry is used to describe the process used by individuals or businesses to request a copy of a consumer's credit report. Hard inquiries occur

every time a consumer applies for a loan, credit card or other type of account. Hard inquiries usually cause a credit score to decrease. Soft inquiries occur when businesses pull a consumer's credit to make promotional offers, a business that the consumer already works with pulls the consumer's credit or the consumer checks their own credit. Soft inquiries don't affect credit scores.

- **Installment Loan**: Installment accounts are a type of credit whereby a consumer signs a contract to repay a fixed amount in equal payments over a specific period of time. Examples of installment accounts may include car loans, furniture loans or personal loans.
- **Interim Interest**: The interest that accrues on a mortgage between the date of closing and the start date of the period covered by the first monthly payment.
- **Insurance Agent**: A professional who sells the products of an insurance company (such as homeowner's insurance), to consumers for commission.
- **Interest**: Interest is a charge for using someone else's funds. Interest is typically quoted as a percentage of the amount borrowed.
- **Interest Rate**: Interest rates are commonly thought of as the cost of borrowing money. The interest rate is expressed as a percentage of the loan amount.
- **Interest-Only Mortgages**: A mortgage where you pay only the interest for the first 5 or 10 years. This is called the interest-only period. At the end of the interest-only period, you begin to pay both principal and interest on a monthly basis for the remainder of the loan. The amount of the monthly principal and interest payment remains the same for the remainder of the loan.
- **Interest-Only Payments**: "Interest-only" loan payments are not amortized. That is, they do not reduce the principal balance of a loan but simply pay the interest that accrues each month.
- **Investor**: A person or entity that places money into a financial opportunity. Investors expect to gain a return or make a profit on the investment. An investor of a mortgage could be a Government Sponsored Enterprise (Freddie Mac or Fannie Mae) or a government or other type of entity.
- **Joint Accounts**: Joint accounts are credit accounts which are held or owned by two or more persons. In the case of a joint account, all parties are held equally responsible and liable for payment under the terms and conditions of the loan contract.
- **Joint Tenancy**: When two or more people have equal ownership in a property.
- **Judgment**: A judgment is a court order that is a decision in a lawsuit. If a judgment is entered, a debt collector has stronger tools to collect debt from the consumer.
- **Late Payment**: A late payment is the term used for loan or credit payments that do not reach the lender or creditor on or before the payment due date. The indication of late payments on a credit report is very damaging to an individual's credit report and credit score.
- **Lead Paint**: Lead-based paint contains an element called lead, which can cause health problems. Lead was banned from paint in 1978 in the U.S. It is likely that homes built before 1978 contain lead paint.

- **Lender**: Lender is the term used for the person or entity that is providing credit or a loan to a borrower at specific terms and conditions. The term lender can generally be used interchangeably with the term creditor.
- **Liabilities**: Financial liabilities generally refer to debts owed to an entity, such as a lender.
- **Lien**: A claim of a creditor on a property as security for a debt.
- **Line of Credit**: A line of credit is a preauthorized amount of credit offered to an individual, business or institution. A line of credit is commonly secured against an asset such as a home (real estate). Lines of credit are usually revolving, where you can borrow up to the credit limit, repay all or part of the debt and reborrow.
- **Liquid (or Liquid Assets)**: Liquid assets are cash on hand or assets that can be converted to cash quickly. Examples include checking or savings accounts or certain investment accounts.
- **Loan**: Money you borrow from a financial institution with a written promise to pay it back later at a specific time(s). With a loan, financial institutions will charge you fees and interest to borrow the money.
- **Loan Application**: The official request from a consumer to a lender for a loan.
- **Loan Approval**: A loan approval is made when a lender evaluates a borrower who applies for a loan, confirms the borrower’s capacity to attain and maintain the loan, and agrees to make the loan to the borrower.
- **Loan Estimate**: A written disclosure itemizing the approximate costs and fees for the mortgage as well as certain loan terms.
- **Loan Modification**: Alternative to foreclosure that can include adding missed payments to an existing loan balance, turning an adjustable-rate mortgage into a fixed-rate mortgage, or extending the number of years for repayment in order to lower the amount of the borrower’s monthly payments.
- **Loan Officer**: The person who takes applications for loans offered by the lender. The loan officer can answer your questions, provide written information explaining loan products, and help you fill out a loan application.
- **Loan Processing**: The steps involved in processing a loan application that includes collecting documents, confirming client information, and underwriting the loan.
- **Loan Servicers**: A loan servicer is the term used for the financial institution or entity which is responsible for collecting loan payments and administering the loan. Servicing is the term commonly used relating to the regular collection of home mortgage payments. A mortgage loan servicer may be a different company than the mortgage lender.
- **Loan Underwriter**: See Underwriter.
- **Loan-to-Value (LTV)**: The amount borrowed versus the appraised value of the home. LTV is calculated by dividing the mortgage loan amount by the appraised value of the property.
- **Low Down-Payment Feature**: A feature of a mortgage, usually a fixed-rate mortgage, that helps you buy a home with as little as a 3% down payment.

- **Margin**: The amount (expressed as a percentage) added to the index for an Adjustable Rate Mortgage (ARM) to establish the interest rate on each rate adjustment date.
- **Market Value**: The current value of your home based on what a willing purchaser would pay. The value determined by an appraisal is sometimes used to determine market value.
- **Matching Funds**: Matching funds are part of individual savings accounts and other down payment assistance (DPA) programs where a borrower saves a set amount which is then matched dollar-for-dollar for a period of time and for certain amounts.
- **Maximum Housing Expense**: The maximum housing expense is the estimated maximum amount an individual or household can afford to pay for housing-related expenses which includes the mortgage payment, property taxes and property insurance. The maximum housing expense is calculated by multiplying the household's gross monthly income by the housing expense ratio provided by the lender for that particular loan. In general, housing expenses should not exceed 25 – 28% of your gross monthly income.
- **Money Market Account**: An account that pays a higher interest rate than other bank or credit union accounts if the individual maintains the minimal balance in the account.
- **Money Order**: Similar to a check, a money order is used to pay bills or make purchases in cash where cash is not accepted. Many businesses sell money orders for a fee. It is best to shop around for the best price.
- **Mortgage**: A mortgage is a document that is signed by a borrower when a home loan is obtained and gives the lender the right to take possession of the property if the borrower fails to make loan payments. Mortgages are recorded in public records along with deeds.
- **Mortgage Broker**: An independent finance professional who specializes in bringing together borrowers and lenders to facilitate real estate mortgages.
- **Mortgage Insurance Premium (MIP)**: A mortgage insurance premium or MIP is the cost of the insurance which the Federal Housing Administration (FHA) provides to lenders and is paid by the individual homebuyer for FHA loans. Mortgage Insurance helps to protect lenders from losses in the event of a mortgage default and foreclosure. The MIP is not the same as Private Mortgage Insurance (PMI).
- **Mortgage Lender**: The lender providing funds for a mortgage. Lenders also manage the credit and financial information review, collateral review, and the loan application process through closing.
- **Mortgage Note**: A mortgage note is a legal document that contains the homebuyer's promise to repay the loan and includes the terms and conditions of the loan.
- **Mortgage Rate**: The cost or the interest rate you pay to borrow the money to buy a home.
- **Multiple Listing Service (MLS)**: A service within an area that allows real estate professionals to list properties for sale, so that other real estate

professionals can help their clients buy a home with the information provided on the MLS.

- **Negotiations**: The process between a homebuyer and seller of agreeing on a final price and the terms for the purchase of a property. Negotiations may drive the price of the property up or down, depending on trends in the local housing market.
- **Net Income**: Net income is the amount of money paid to an employee after taxes and other deductions have been subtracted. Net income is commonly referred to as "take-home pay."
- **Net Monthly Income**: Your take-home pay for one month after taxes and other deductions are taken out. It is the amount of money that you actually receive in your paycheck.
- **Non-Traditional Credit**: When a potential buyer does not have an established credit history, they may assemble a non-traditional credit history which would involve proof of regular payments to entities other than the lender such as rent payments, utility or cell phone payments.
- **Online Banking**: A bank or credit union service that allows you to make payments, check account balances, transfer money between accounts, obtain account history, make deposits, stop payments on a check, and obtain general bank information at any time from a computer or mobile device with Internet access.
- **Opt-Out Prescreen**: OptOutPrescreen.com is the official website that is a collaboration of the main credit reporting agencies which allows consumers to opt-in or opt-out of firm offers of credit or insurance.
- **Origination Fee**: A fee charged to the borrower by a lender to cover submitting, processing and evaluating a loan.
- **Payday Loans**: Payday loans are short-term (e.g., two weeks long), unsecured loans linked to a borrower's pay day and payroll. Fees and Annual Percentage Rates (APRs) on these loans are very high. A consumer might typically write a check for the amount of the loan, plus a fee. The payday lender would cash the check once the consumer is ready to pay. If the consumer cannot repay the loan by the due date, it could be rolled over and fees would accumulate. These fees can add up to exorbitant amounts.
- **Payment Due Date**: Every time money is borrowed, contract language specifies when payments are due, usually on or before the specified date. Grace periods do not eliminate the responsibility of making sure that payments are received by the lender by the due date. In most cases, lenders or creditors who receive payments past the due date and any applicable grace period will add a late charge and/or additional interest and fees. Also, the late payment could be reported to the credit reporting agencies.
- **Personally Identifiable Information (PII)**: PII is personal data that could be used to identify a specific individual. Examples of PII include a social security number or date of birth. HUD-approved housing counseling agencies, lenders and their service providers must follow strict regulations to protect consumers' PII.

- **Personal Identification Number (PIN)**: For security purposes, issuers of debit cards associated with bank or credit union accounts require the account holder to select and memorize a Personal Identification Number or PIN. This number or code is required in order to utilize the card in an ATM or may be required to verify the account holder's identity in order to access the account.
- **PITIA**: See Housing Expense Ratio. The percentage of your qualifying gross monthly income that goes toward paying for your total housing payment is the housing expense ratio. The total housing payment includes **P**rincipal and **I**nterest payments, property **T**axes, homeowner's **I**nsurance, private mortgage **I**nsurance (if applicable), and homeowners **A**ssociation or condominium fees or special **A**ssessments (if applicable) or "PITIA" for short.
- **Points**: Mortgage points are origination points or discount points that entail a one-time charge by a lender. Discount points lower the interest rate of a loan. One point is equal to 1% of the loan amount. The amount that a point can reduce the interest rate of the mortgage can vary. A borrower should determine whether paying mortgage points is worthwhile and consider the Annual Percentage Rate (APR) to determine the overall cost of the mortgage before deciding to obtain the loan. Origination points cover the cost of originating the loan for the lender and are negotiable. Some lenders refer to points using other terminology so ask your lender for clarification.
- **Post-Purchase Counseling**: Counseling that takes place after the purchase of a home to focus on home maintenance, financial security, delinquency prevention and foreclosure prevention. Post-purchase counseling is a type of service offered by many HUD-approved housing counseling agencies or other nonprofit housing entities.
- **Pre-Approval**: A commitment from a lender that the institution will provide a loan to the homebuyer for a certain amount as long as the homebuyer finds a home in a set timeframe and the home's appraisal fits within the allowed purchase price. The pre-approval process is more formal than a pre-qualification and involves the lender reviewing the homebuyer's financial documents and credit report.
- **Pre-Qualification**: A less formal evaluation of potential homebuyer's ability to afford a mortgage than a pre-approval. The pre-qualification analysis is based on unverified information.
- **Prepayments**: Prepayment refers to paying an additional amount to be applied to the principal of your mortgage to pay down the principal amount faster. A borrower typically has to notify the loan servicer they are making a prepayment. Some mortgages entail prepayment penalties. See Prepayment Penalties.
- **Prepayment Penalty**: Prepayment penalties are charges imposed by some lenders as a penalty for paying a loan off earlier than its original payoff date. Prepayment penalties are common among some of the subprime and/or predatory lending loan products.
- **Predatory Lending**: Predatory lending is commonly defined as abusive lending practices that strip equity away from a homeowner. Common practices include targeting low-income people with poor credit or elderly homeowners, using high

pressure sales tactics, and having little concern about the borrower's ability to repay the loan.

- **Predictive Variables**: Predictive variables are the items which are part of the formula or factors which constitute elements of a credit scoring model.
- **Prepayment-Penalty Mortgage (PPM)**: A prepayment penalty mortgage (PPM) is a type of mortgage which requires that you pay a prepayment penalty or a fee if you repay your entire loan (or a substantial portion of it) within a certain time period. Homebuyers should determine if the mortgage they are applying for has pre-payment penalties before deciding to apply.
- **Principal**: Principal is the actual amount of money borrowed or the remaining amount of the loan that has not yet been paid back to the lender. The principal balance of a loan is the amount of the borrower's remaining debt.
- **Private Mortgage Insurance (PMI)**: Private Mortgage Insurance or PMI is a type of insurance which helps to protect lenders from losses in the event that a homeowner defaults on his or her mortgage. PMI is generally required by lenders when a homebuyer pays less than 20% as a down payment on a conventional mortgage. The Federal Homeowners Protection Act (HPA) provides rights to remove PMI under certain circumstances. The law generally provides two ways to remove PMI from your home loan: (1) requesting PMI cancellation or (2) automatic or final PMI termination. See consumerfinance.gov for more information.
- **Property Taxes**: See Real Property Taxes.
- **Public Record Information**: Public record information is information on events that are a matter of public record related to a consumer's creditworthiness, such as bankruptcies, foreclosures or tax liens. The presence of public record information appearing on a credit report is viewed negatively by the credit industry.
- **Purchase Offer**: A legally binding contract signed by both the homebuyer and the seller that identifies the intention to transfer ownership of the property under certain conditions and for a particular price.
- **Radon**: Radon is a colorless, odorless radioactive gas that can become trapped in homes, usually at the lower levels. Long-term exposure to radon can have health implications such as risk of lung cancer.
- **Rate Lock**: Borrowers may lock in the interest rate with their lender for a specified period of time. Often, a rate lock fee is required.
- **Real Estate Owned/REO**: Refers to the property the lender takes ownership of after a foreclosure.
- **Real Estate Agent**: A real estate agent is an individual who has completed training and passed a state examination to become licensed to sell or rent real estate within a particular state. Real estate agents work under a real estate broker. A Realtor is a real estate professional who is a member of the National Association of REALTORS®.
- **Real Estate Broker**: A real estate broker is a professional who has taken education beyond the real estate agent level about buying and selling homes. Education and exam requirements are set by each state. Typically, principal

brokers do not work directly with clients, but managing and associate brokers do. Real estate brokers may oversee licensed real estate agents or may work under a managing broker. The real estate professional (broker or agent) is paid a percentage of the home sale price by the seller. Unless the homebuyer has signed an agreement with the real estate professional to be a buyer's agent, the real estate broker represents the interest of the property seller. Real estate brokers or agents may be able to refer you to local lenders or mortgage brokers but are generally not involved in the lending process.

- **Real Estate Settlement Procedures Act (RESPA)**: RESPA requires lenders, mortgage brokers or servicers of home loans to provide borrowers with pertinent and timely disclosures regarding the nature and costs of the real estate settlement process. The Act also prohibits specific practices, such as kickbacks, and places limitations upon the use of escrow accounts.
- **Real Property Taxes**: Taxes imposed on real property by the local taxing authority. If an escrow account is established, borrowers will be required to pay into the escrow account each month an amount equal to 1/12th of the estimated annual local real estate taxes on the home that is purchased.
- **Realtor®**: A Realtor is a real estate professional who is a member of the National Association of REALTORS®.
- **Recording Fees**: Fees paid at closing to cover the cost of formally recording the ownership of real property in the county land records office.
- **Refinancing**: Refinancing a mortgage allows a homeowner to receive a new mortgage and use the proceeds to help pay off the old mortgage. However, there may be closing costs, fees, and/or points associated with the new mortgage, and prepayment penalties associated with the old mortgage.
- **Reinstatement**: Alternative to foreclosure which enables the delinquent homeowner to make a lump sum payment to the loan servicer in order to bring the loan current.
- **Repayment Plan**: Alternative to foreclosure set up with a loan servicer if a mortgage is past due but the borrower can now afford to make payments. A schedule of repayments, such as over six to 12 months, adds a portion of the overdue amount on top of each monthly payment to bring the account current.
- **Replacement Cost/Coverage**: An option with homeowner's insurance that covers the cost of replacing or rebuilding an item or the home itself if damaged due to an allowable peril.
- **Reserves**: Reserves refer to funds set aside for a particular purpose or cash on hand in case unexpected expenses arise.
- **Revolving Account**: Revolving accounts are a type of credit account whereby a consumer can borrow up to a pre-established credit limit, repay all or part of the outstanding balance and re-borrow up to the credit limit. The borrower typically has the option to pay the outstanding balance in full each month or to make a prescribed minimum monthly payment based upon the outstanding balance. Examples may include cards issued by department stores, gas and oil companies, and banks.

- **Routine Home Maintenance**: Routine home maintenance activities are those that are done preemptively and on a schedule to protect and preserve the integrity of the home and its systems (e.g., changing air filters).
- **Safe Deposit Box**: A fireproof locked box at a bank or other financial institution which is available to rent in various sizes for a yearly rental fee. The box provides you with a secure compartment within the bank's vault for the storage of valuables, such as passports, important documents or jewelry. The keys remain solely under the account holder's control.
- **Savings**: Income that is set aside for a certain purpose or to increase assets.
- **Savings Account**: An account where you keep money for safekeeping or as an investment that earns interest.
- **Scam**: A trick or unfair practice that intends to defraud others.
- **Secured Credit Card**: A secured credit card is a credit card that is backed by collateral (usually cash).
- **Secured Loans**: A secured loan is a loan which is backed by collateral and secured against something tangible such as a home (real estate).
- **Servicer**: See Loan Servicer.
- **Shared Equity**: Also known as shared ownership, this is when more than one individual owns the asset or has a right to part of the equity in a property.
- **Short Sale**: If a home is sold (as an alternative to foreclosure) for less than what is owed to the loan servicer, the servicer may accept this lesser amount as a "short sale" or a "short payoff." The servicer typically must approve a short sale before the property is sold.
- **Snowball Debt Repayment Method**: A debt repayment method that involves focusing on paying off the loan with the lowest balance first while making minimum payments on other debts. Once that lowest balance is paid off, the consumer moves on to pay the next lowest loan amount, and so on.
- **Soft Inquiry**: The term inquiry is used to describe the process used by individuals or businesses to request a copy of a consumer's credit report. Soft inquiries occur when businesses pull a consumer's credit to make promotional offers, a business that the consumer already works with pulls the consumer's credit, or the consumer checks their own credit. Soft inquiries don't affect credit scores.
- **Sole and Separate**: A form of holding title to a property where an individual owns the property.
- **Special Assessments:** Special assessments are fees that homeowners need to pay if required by a Home Owners Association or Condominium Association to cover special projects that benefit the community or neighborhood. Special assessment taxes are surtaxes that are levied on property owners to cover the costs of infrastructure projects in the local area. Homebuyers should be aware of any special assessment fees or taxes that they may need to pay if they own a home in a particular community.
- **Spending Plan**: A spending plan (or a budget) is an itemized list of all of one's expenses or intended purchases. Spending plans are tools commonly used to measure or gauge expenses against income.

- **Stocks:** Stocks are a type of security that represent ownership interest in a corporation. When an investor buys a stock, it means the investor has purchased a share of the company**.**
- **Student Loan Debt**: The debt load that students incur in order to attain education beyond high school is referred to as student loan debt.
- **Subprime Loan**: Subprime is the credit industry term used to describe credit and loan products which have less stringent lending and underwriting (loan approval) terms and conditions. However, as a compensating factor for the higher risk, subprime products charge consumers higher interest rates and fees.
- **Survey**: A measurement of the property and the land around it that shows the exact boundaries of the property and structures within it.
- **Surveyor**: A professional who employs land survey techniques to determine the boundaries of a property including structures within that property.
- **Sweat Equity**: Sweat equity refers to the ownership interest or increase in value that results from the investment of time, work and energy spent on building, improving or restoring a property.
- **Telephone Banking**: A bank or credit union service that allows you to check account balances, transfer money between accounts, obtain account history, such as deposits and withdrawals, stop payment on a check, obtain information on branch hours, and report a lost, stolen, or damaged credit, debit or ATM card.
- **Teller**: The person behind the bank or credit union counter who takes money (deposits), answers questions, cashes checks or refers the customer to a specialist in the branch for other types of customer service.
- **Tenancy in Common**: When two or more individuals share ownership in a property and can transfer their share of ownership to another beneficiary.
- **Terms**: The provisions, conditions, and requirements pertaining to the loan as stated in the loan agreement.
- **Title**: The right to, and the ownership of, land by the owner. Title is sometimes used to mean the evidence or proof of ownership of land. Another term used for that is "deed."
- **Title Insurance**: Insurance that protects lenders or homeowners against loss of their interest in the property that might arise due to legal problems with the title. If a homeowner wishes to purchase title insurance, they must do so on their own (lender's title insurance does not protect the homeowner).
- **Tri-Merge**: When a lender pulls credit reports for an individual from all three major credit bureaus (Equifax, Experian and TransUnion), the report is referred to as a Tri-Merge.
- **Truth-In-Lending Act (TILA)**: Federal law which requires disclosure of the Loan Estimate and Closing Disclosure for consumer mortgage loans. The disclosures include a summary of the total cost of credit such as the Annual Percentage Rate (APR), along with settlement costs and other loan terms.
- **Underwriter**: An individual within the lending department that reviews all loan documents to determine whether or not the loan will be approved. The underwriter reviews the property appraisal, plus the borrower's credit and ability to pay the mortgage.

- **Underwriting**: The process a lender uses to determine loan approval. It involves evaluating the property and the borrower's credit and ability to pay the mortgage.
- **Unsecured Debt**: Loans that are not backed by collateral.
- **USDA Loans**: United States Department of Agriculture (USDA) Rural Housing Service Loans are insured by the federal government and are available through approved lenders and local USDA offices. These loans are available in designated rural areas for low- and moderate-income buyers. The Single-Family Housing Guaranteed Loan Program is available for eligible borrowers without a down payment, with a mortgage insurance premium. The Single-Family Housing (Section 502) Direct Home Loan Program provides down payment assistance to increase an eligible applicant's repayment ability.
- **VA Loans**: U.S. Department of Veterans Affairs Guaranteed Home Loans are made by private lenders to eligible current or former members of the military or their eligible spouses. VA loans may not require a down payment or private mortgage insurance and have additional features.
- **Variable Expenses**: Variable expenses are costs or payments that may vary from month-to-month. Some examples of variable expenses include money spent on groceries, clothes or doctor visits.
- **Wire Transfer**: A method of electronically transferring money from one bank or credit union to another.
- **Withdrawal**: The process of taking money from your bank or credit union account. You do this by writing a check, using an ATM, giving a teller a withdrawal slip or transferring money out of your account through online banking.