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Home Buying Basics

A complimentary beginner's guide to buying a home

Featuring expert content from:

realtor.com®
where home happens

Home Buyer Basics

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Home Buyer FAQs

We get a lot of questions, and below, we've taken the time to answer some of the most common. Take a look to see if we've answered your questions.

Why should I buy, instead of rent?
You'll love the feeling of having something that's all yours - a home where your own personal style will tell the world who you are. A thriving vegetable garden in the backyard, a tiled entryway, a yellow kitchen…when you own, you can do it all your way! But there's more to owning a home than personal satisfaction. You can deduct the cost of your mortgage loan interest from your federal income taxes, and usually from your state taxes, too. Interest will compose the majority of your monthly payment for several years. This adds up to hefty savings at the end of each year. You are also allowed to deduct the property taxes you pay as a homeowner. If you rent, you write your monthly check and it's gone forever. Another financial plus in owning a home is the possibility its value will go up through the years.

I'm a single mother. How would I go about buying a home?
Although you won't have the benefit of two incomes on which to qualify for a loan, there's no reason that you can't become a homeowner. Become familiar with the process, get pre-qualified for a loan, and pick a good real estate agent. A lender can look at your financial situation and help you determine which loan programs are best and how much house you may be able to afford.

Should I use a real estate broker? How do I find one?
Using a real estate broker is a very good idea. All the details involved in home buying, particularly the financial ones, can be mind-boggling. A good real estate professional can guide you through the entire process and make the experience much easier. A real estate broker will be well-acquainted with all the important things you'll want to know about a neighborhood you may be considering…the quality of schools, the number of children in the area, the safety of the neighborhood, traffic volume, and more. He or she will help you search the classified ads and multiple listing services for homes you'll want to see. With immediate access to homes as soon as they're put on the market, the broker can save you hours of wasted driving-around time. When it's time to make an offer on a home, the broker can point out ways to structure your deal to save you money. He or she will guide you through the paperwork, and be there to hold your hand and answer last-minute questions when you sign the final papers at closing. And you don't have to pay the broker anything! The payment usually comes from the home seller - not from the buyer.

How much money will I have to come up with to buy a home?
Well, that depends on a number of factors, including the cost of the house and the type of mortgage you get. In general, you need to come up with enough money to cover three costs:

- earnest money
- the deposit you make on the home when you submit your offer to prove to the seller that you are serious about wanting to buy the house
- the down payment
- a percentage of the cost of the home that you must pay when you go to settlement
- closing costs, the costs associated with processing the paperwork to buy a house

When you make an offer on a home, your real estate broker will put your earnest money into an escrow account. If the offer is accepted, your earnest money will be applied to the down payment or closing costs. If your offer is not accepted, your money will be returned to you. While the amount of your earnest money varies, your deposit generally will range from $500 - $2,000.
The more money you can put into your down payment, the lower your mortgage payments will be. Some types of loans require 10-20% of the purchase price. Some loans require only 3% down - and sometimes less.

Closing costs - which you will pay at settlement - average 1-3% of the price of your home. These costs cover various fees your lender charges and other processing expenses. When you apply for your loan, your lender will give you an estimate of the closing costs, so you won't be caught by surprise.

How do I know if I can get a loan?
You can find simple mortgage calculators online to see how much mortgage payments would be at specific loan amounts. If the amount you can afford is significantly less than the cost of homes that interest you, then you might want to wait awhile longer. But before you give up, contact a lender who can take a look at your specific financial situation and offer some advice. They will help you evaluate your loan potential. They may also be able to pre-qualify you for a loan. That means you go to a lender and apply for a mortgage before you actually start looking for a home. Then you'll know exactly how much you can afford to spend, and it will speed the process once you do find the home of your dreams.

How do I find a lender?
Talk with family, friends and community agencies involved with homeownership to see if they can recommend a lender that they had a good experience with. You can finance a home with a loan from a bank, a credit union, or a private mortgage company. Shopping for a loan is like shopping for any other large purchase: you can save money if you take some time to look around for the best prices. Different lenders can offer quite different interest rates and loan fees. A lower interest rate can make a big difference in how much home you can afford. Talk with several lenders before you decide. Most lenders need 3-4 weeks for the whole loan approval process.

In addition to the mortgage payment, what other costs do I need to consider?
Of course you'll have your monthly utilities. If your utilities have been covered in your rent, this may be new for you. Your real estate broker will be able to help you get information from the seller on how much utility bills normally cost. In addition, you might have homeowner association or condo association dues. You'll definitely have property taxes and homeowner's insurance. Many times 1/12 of these amounts is added to your monthly payment and is placed in an escrow account. When these bills come due, your mortgage servicer will pay them for you.

So what will my mortgage cover?

Most loans have 4 parts: principal: the repayment of the amount you actually borrowed; interest: payment to the lender for the money you've borrowed; homeowners insurance: a monthly amount to insure the property against loss from fire, smoke, theft, and other hazards required by most lenders; and property taxes: the annual city/county taxes assessed on your property, divided by the number of mortgage payments you make in a year. Many loans are for 30 years, although shorter amortizations are available, too. During the life of the loan, you'll pay far more in interest than you will in principal - sometimes two or three times more! Because of the way loans are structured, in the first years you'll be paying mostly interest in your monthly payments. In the final years, you'll be paying mostly principal.

What do I need to take with me when I apply for a mortgage?

Good question! If you have everything with you when you visit your lender, you'll save a good deal of time. You should have:

1) social security numbers for both you and your spouse, if both of you are applying for the loan
2) copies of your checking and savings account statements for the past 2 months
3) evidence of any other assets like bonds or stocks
4) a recent paycheck stub detailing your earnings
5) a list of all credit card accounts and the approximate monthly amounts owed on each
6) a list of balances due on outstanding loans, such as car loans
7) copies of your last 2 years' income tax statements
8) the name and address of someone who can verify your employment. Depending on your lender, you may be asked for other information.

I know there are lots of types of mortgages - how do I know which one is best for me?

You're right - there are many types of mortgages, and the more you know about them before you start, the better. Most people use a fixed-rate mortgage. In a fixed rate mortgage, your interest rate stays the same for the term of the mortgage, such as 30 years. The advantage of a fixed-rate mortgage is that you always know exactly how much your mortgage payment will be, and you can plan for it. Another kind of mortgage is an Adjustable Rate Mortgage (ARM). With this kind of mortgage, your interest rate and monthly payments usually start lower than a fixed rate mortgage, but your rate and payment can change either up or down, as often as once or twice a year. The adjustment is tied to a financial index, such as the U.S. Treasury Securities index. The advantage of an ARM is that you may be able to afford a more expensive home because your initial interest rate will be lower. There are several government mortgage programs that might interest you, too. A lender can help you determine which options might be best for you.

When I find the home I want, how much should I offer?
Again, your real estate broker can help you here. But there are several things you should consider:

1) is the asking price in line with prices of similar homes in the area?
2) Is the home in good condition or will you have to spend a substantial amount of money making it the way you want it? You probably want to get a professional home inspection before you make your offer. Your real estate broker can help you arrange one.
3) How long has the home been on the market? If it's been for sale for a while, the seller may be more eager to accept a lower offer.
4) How much mortgage will be required? Make sure you really can afford whatever offer you make.
5) How much do you really want the home? The closer you are to the asking price, the more likely your offer will be accepted. In some cases, you may even want to offer more than the asking price, if you know you are competing with others for the house.

What if my offer is rejected?
They often are! But don't let that stop you. Now you begin negotiating. Your broker will help you. You may have to offer more money, but you may ask the seller to cover some or all of your closing costs or to make repairs that wouldn't normally be expected. Often, negotiations on a price go back and forth several times before a deal is made. Just remember - don't get so caught up in negotiations that you lose sight of what you really want and can afford!

So what will happen at closing?
You will sit at a table with a closing agent and the following people may be there as well: your broker, the broker for the seller, the seller, and your lender. The closing agent will have a stack of papers for you and the seller to sign. While he or she will give you a basic explanation of each paper, you may want to take the time to read each one and/or consult with your lender to make sure you know exactly what you're signing. After all, this is a large amount of money you're committing to pay for a lot of years! Before you go to closing, your lender is required to give you a booklet explaining the closing costs, a "good faith estimate" of how much cash you'll have to supply at closing, and a list of documents you'll need at closing. If you don't get those items, be sure to call your lender BEFORE you go to closing. Be sure to read our booklet on settlement costs. It will help you understand your rights in the process. Don't hesitate to ask questions.

How to Negotiate the Best Deal

Whether you're a buyer or a seller you want to succeed in the realty marketplace. That's natural and reasonable, but what are the steps you need to triumph? Negotiation is a complex matter and all transactions are unique. Both sides—buyer and seller—want to feel that the outcome favors them, or at least represents a fair balance of interests. In the usual case there is a bit of bluff, some give-and-take, and neither party gets everything they want. So how do you develop a strong bargaining position, one which will help you get the most from a transaction? Experience shows there are five basic keys which will determine who wins at the negotiating table.

1. What does the market say?
At various times we're in a "buyers" market, a "sellers" market, or a market where housing supply and demand are roughly equal. If possible, you want to be in the market at a time when it favors your position as a buyer or seller.

Because all properties are unique—it is possible to buck general trends and have more leverage than the marketplace would seem to allow. For instance, if you have a property in a desirable neighborhood with few sales, you may be able to get a better deal than elsewhere. Or, if you're a buyer who can quickly close, that might be an important negotiating chip when dealing with an owner who just got a new job 500 miles away.

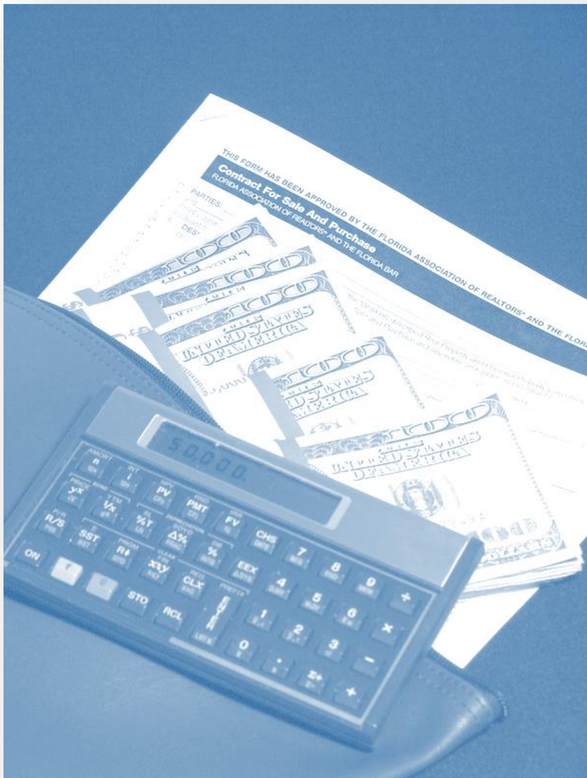
2. Who has leverage?
If you're on the front page of the local paper because your business went bust—and the buyer knows it—you have little clout in the bargaining process. Alternatively, if you're among six buyers clamoring for that one special property, forget about dictating an agreement—the owner can sit back and pick the offer which represents the highest price and best terms.

3. What are the details?
A lot of attention in real estate is paid to transaction prices. This surely makes sense, but the key to a good deal may be more complex. Consider two identical properties that each sell on the same day for $275,000. The houses are the same, the sale prices are the same, but are the deals the same? Maybe not. For instance, one owner may have agreed to paint the property, replace the roof, purchase a new kitchen refrigerator, and pay the first $3,000 of the buyer's closing costs. The second owner made no concessions.

In this example, the first house was actually sold at discount—the $275,000 purchase price less the value of the roof repairs, closing credit, and other items. If you're a buyer, this is the deal you want. If you're a seller, you would prefer to be the second owner and give up nothing.

4. What about financing?

Real estate transactions involve a trade—houses for money. We know the house is there, but what about financing? There are several factors that impact the money issue:



- Has the buyer been pre-qualified or pre-approved by a lender? Meeting with a lender before looking at homes does not usually guarantee that financing is absolutely, unquestionably available—a loan application can be declined because of appraisal problems, title issues, survey findings, and other reasons. But, buyers who are "pre-qualified" or "pre-approved" (these terms do not have a standard meaning around the country) at least have some idea of their ability to finance a home and know that they are likely to qualify for certain loan programs. The result is that pre-qualified buyers represent less risk to owners than a purchaser who has never met with a lender. If the seller accepts an offer from a buyer with unknown financial strength, it's possible that the transaction could fail because the buyer can't get a loan. Meanwhile, the owner may have lost the opportunity to sell to a qualified buyer.

- The lower the interest rate, the larger the pool of potential buyers. More buyers equal more potential demand, good news for sellers. Alternatively, high rates or even rising rates may drive buyers from the marketplace—and that's not good for anyone.

- It used to be that down payments were a major financing hurdle—but not anymore. For those with good credit, loans with 5 percent down or less are now widely available. In fact, 100 percent financing, mortgages with nothing down, are now being made by conventional lenders. Reduced down payment requirements are good for both buyers and sellers.

5. Who has expertise?

Imagine you're in a fight. The other guy has black belts in 12 martial arts—and you don't. Who's going to win? Brokers have long represented sellers, and now buyer brokerage is entirely common. In a transaction where one side has representation and the other does not, who has the advantage at the bargaining table?

How to Write a Home Buyer Offer Letter

Homebuyers trying to stand out from a crowd of offers in today's competitive market are often told to write a personal letter to accompany their offer. Buyers who are financing a home, or have a smaller down payment, often have trouble competing with all-cash buyers. Appealing to the seller as a person as opposed to a contract can sometimes give a buyer an emotional edge.

What isn't often explained to buyers is how exactly to write that letter. The best ideas are often squandered by poor execution. Here is a quick guide to framing the home buyer letter and leveraging your best attributes by thinking from the seller's point of view:

1. Flatter First
This is an emotional pitch. You're attempting to tell the seller, "I'm such a good person that you should ignore the numbers." They need to like you. Tell the seller how great their taste in color is, how much you'd love to have their lifestyle, and what an amazing neon bottle cap exhibit they have over the fireplace. Lay it on thick, but keep it sincere. You're selling, but you don't want them to feel like they're being sold a used car.

2. Get to the Point
You may have 10 great ideas that you'd like to tell the seller. They will only remember two. The seller may have 10 other letters to read. If you mix in your best points with your lesser points, they may all just become a jumble. Pick two or three reasons why you will be the best buyer for this home, and make them distinctly recognizable. The more streamlined you make your message, the more memorable it will be.

3. Paint a Picture
People remember what they've read at a far higher rate when they can see a picture of it in their head. "I really love this neighborhood because I've lived here and gone to school here," doesn't resonate.

On the other hand, "I spend half of my time walking the cobblestone streets around this block, dropping my daughter off at Gilman School and volunteering at Schnitzelfest every summer," will trigger a visual memory for a seller. Think "I'd be so happy in the summer to be cooking Neapolitan pizza for friends and neighbors in your outdoor wood-fired oven".

4. Don't Remodel the House
Planning on adding a second story or changing the landscaping? Don't mention it. You might be correct that the seller's sewing room would make a great workout room for you, but this isn't the time. If you're going to expand to create more bedrooms, you might be changing the seller's favorite eyebrow windows

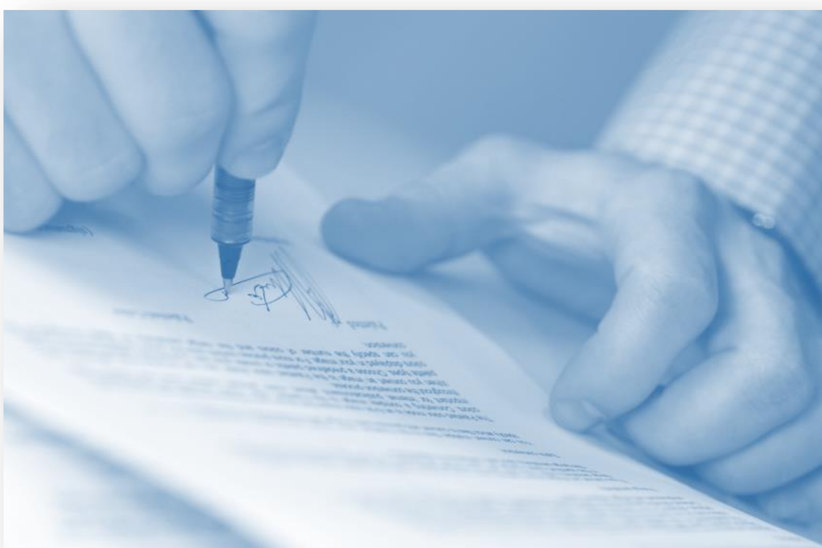
in the roofline. They may have buried their dog under the tree you're planning to pave over. he sellers may have awful taste, but homeowners are very protective of their homes.

5. Show Stability
Present yourself as a stable buyer who will have no problem closing the purchase. Whether that is a reference to your lack of contingencies, stellar employment record or commitment to moving in as soon as the sellers are comfortable, ease the sellers' fears of a shaky transaction.

6. Show Humility
At the same time, be humble and ask for the sellers' blessing on your offer. "We would be so honored to live in your home," goes much further than "We are confident that you will accept our generous offer." The ball is in their court, and your letter should acknowledge that.

7. Don't Whine
The emotion of your letter must be upbeat and high. It needs to make the seller feel good. Everyone wants to play with a winner. The seller doesn't care how many other homes you've lost out on. They don't care that your rent just doubled. They don't want to know about your wife's sad condition that requires you to have a home like this. They just feel uncomfortable now. In fact, they're already tossing your offer in the round file as they finish this paragraph.

8. Close with Clarity
Remember the five-point paragraphs and five-paragraph themes you had to write in school? While those formulas are too long and rigid for this letter, their closing advice should be noted. Your excitement, motivation, and ability should be reiterated at the end of your letter in a quick recap.



Remember that the sellers could be reading a few letters. Make sure that the closing of your letter reminds them of your best qualities and reinforces them.

9. Sign with Appreciation
The feeling your sellers will leave with can live or die on the signature line: "Sincerely", "Cordially", "Best Regards", and "Yours Truly" do not apply. This is not a business correspondence of equals. Thank the sellers for spending their valuable evening reading the ode that you wrote about your unworthy self.

"Thank you so much for your time," "Thank you for the opportunity," "Your consideration is greatly appreciated," or even "We are honored to have the opportunity," will leave the seller understanding that you value their time and are grateful for it.

10. Spell Check. Grammar Check. Buddy Check. Do It Again.
As the recovering son of a former Catholic school English teacher, there is a dark secret I'd like to let you in on. We're prejudiced. We look down on people who aren't like us. There is a heinous belief ingrained in us from birth that says people who misspell and use incorrect grammar are lesser beings and not worthy of our respect.

Truthfully, though, there is an unbelievable amount of weight that some sellers will put on the preciseness of the letter. Right or wrong, the buyer's personality will be judged from their attention to detail, ability to follow-through, and level of care in the letter. Buyer reliability is often gleaned from how well the rules of grammar are followed. If grammar isn't your thing, find someone whose thing it is. You never know: the house you want to buy just might belong to my mother.

Write the Letter, Check It Twice, and Send It Off
There are many tactics being used by home buyers to stand out from the crowd. While not all sellers will read them, personalized letters are the most-accepted and popular form of unique buyer strategies available. Don't rush the letter. Take the time to write it correctly. It just might be the most valuable single page of text you ever write.

The Value of a Realtor

All real estate licensees are not the same. Only real estate licensees who are members of the NATIONAL ASSOCIATION OF REALTORS® are properly called REALTORS®. They proudly display the REALTOR® logo on the business card or other marketing and sales literature. REALTORS® are committed to treat all parties to a transaction honestly. REALTORS® subscribe to a strict Code of Ethics and are expected to maintain a higher level of knowledge of the process of buying and selling real estate. An independent survey reports that 84% of home buyers would use the same REALTOR® again.

Real estate transactions involve one of the biggest financial investments most people experience in their lifetime. Transactions today usually exceed $100,000. If you had a $100,000 income tax problem, would you attempt to deal with it without the help of a CPA? If you had a $100,000 legal question, would you deal with it without the help of an attorney? Considering the small upside cost and the large downside risk, it would be foolish to consider a deal in real estate without the professional assistance of a REALTOR®.

If you're still not convinced of the value of a REALTOR®, here are a dozen+ more reasons to use one:

- Your REALTOR® can help you determine your buying power -- that is, your financial reserves plus your borrowing capacity. If you give a REALTOR® some basic information about your available savings, income and current debt, he or she can refer you to lenders best qualified to help you. Most lenders -- banks and mortgage companies -- offer limited choices.

- Your REALTOR® has many resources to assist you in your home search. Sometimes the property you are seeking is available but not actively advertised in the market, and it will take some investigation by your agent to find all available properties.

- Your REALTOR® can assist you in the selection process by providing objective information about each property. Agents who are REALTORS® have access to a variety of informational resources. REALTORS® can provide local community information on utilities, zoning. schools, etc. There are two things you'll want to know. First, will the property provide the environment I want for a home or investment? Second, will the property have resale value when I am ready to sell?

- REALTOR® can help you negotiate. There are myriad negotiating factors, including but not limited to price, financing, terms, date of possession and often the inclusion or exclusion of repairs and furnishings or equipment. The purchase agreement should provide a period of time for you to complete appropriate inspections and investigations of the property before you are bound to complete the purchase. Your agent can advise you as to which investigations and inspections are recommended or required.

- REALTOR® provides due diligence during the evaluation of the property. Depending on the area and property, this could include inspections for termites, dry rot, asbestos, faulty structure, roof condition, septic tank and well tests, just to name a few. Your REALTOR® can assist you in finding qualified responsible professionals to do most of these investigations and provide you with written reports. You will also want to see a preliminary report on the title of the property. Title indicates ownership of property and can be mired in confusing status of past owners or rights of access. The title to most properties will have some limitations; for example, easements (access rights) for utilities. Your REALTOR®, title company or attorney can help you resolve issues that might cause problems at a later date.

- Your REALTOR® can help you in understanding different financing options and in identifying qualified lenders.

- Your REALTOR® can guide you through the closing process and make sure everything flows together smoothly.

Mortgage Glossary

One of the most important factors in getting a great deal on a home is knowledge. The more you understand, the better you'll be able to wade through the complex waters of the home buying and mortgage process.

- # -

203(b): FHA's single family program which provides mortgage insurance to lenders to protect against the borrower defaulting; 203(b) is used to finance the purchase of new or existing one to four family housing; 203(b) insured loans are known for requiring a low down payment, flexible qualifying guidelines, limited fees, and a limit on maximum loan amount.

203(k): this FHA mortgage insurance program enables homebuyers to finance both the purchase of a house and the cost of its rehabilitation through a single mortgage loan.

- A -

"A" Loan or "A" Paper: a credit rating where the FICO score is 660 or above. There have been no late mortgage payments within a 12-month period. This is the best credit rating to have when entering into a new loan.

Abstract of Title: documents recording the ownership of property throughout time.

Acceleration: the right of the lender to demand payment on the outstanding balance of a loan.

Acceptance: the written approval of the buyer's offer by the seller.

Additional Principal Payment: money paid to the lender in addition to the established payment amount used directly against the loan principal to shorten the length of the loan.

Adjustable-Rate Mortgage (ARM): a mortgage loan that does not have a fixed interest rate. During the life of the loan the interest rate will change based on the index rate. Also referred to as adjustable mortgage loans (AMLs) or variable-rate mortgages (VRMs).

Adjustment Date: the actual date that the interest rate is changed for an ARM.

Adjustment Index: the published market index used to calculate the interest rate of an ARM at the time of origination or adjustment.

Adjustment Interval: the time between the interest rate change and the monthly payment for an ARM. The interval is usually every one, three or five years depending on the index.

Affidavit: a signed, sworn statement made by the buyer or seller regarding the truth of information provided.

Amenity: a feature of the home or property that serves as a benefit to the buyer but that is not necessary to its use; may be natural (like location, woods, water) or man-made (like a swimming pool or garden).

American Society of Home Inspectors: the American Society of Home Inspectors is a professional association of independent home inspectors. Phone: (800) 743-2744

Amortization: a payment plan that enables you to reduce your debt gradually through monthly payments. The payments may be principal and interest, or interest-only. The monthly amount is based on the schedule for the entire term or length of the loan.

Annual Mortgagor Statement: yearly statement to borrowers detailing the remaining principal and amounts paid for taxes and interest.

Annual Percentage Rate (APR): a measure of the cost of credit, expressed as a yearly rate. It includes interest as well as other charges. Because all lenders, by federal law, follow the same rules to ensure the accuracy of the annual percentage rate, it provides consumers with a good basis for comparing the cost of loans, including mortgage plans. APR is a higher rate than the simple interest of the mortgage.

Application: the first step in the official loan approval process; this form is used to record important information about the potential borrower necessary to the underwriting process.

Application Fee: a fee charged by lenders to process a loan application.

Appraisal: a document from a professional that gives an estimate of a property's fair market value based on the sales of comparable homes in the area and the features of a property; an appraisal is generally required by a lender before loan approval to ensure that the mortgage loan amount is not more than the value of the property.

Appraisal Fee: fee charged by an appraiser to estimate the market value of a property.

Appraised Value: an estimation of the current market value of a property.

Appraiser: a qualified individual who uses his or her experience and knowledge to prepare the appraisal estimate.

Appreciation: an increase in property value.

Arbitration: a legal method of resolving a dispute without going to court.

As-is Condition: the purchase or sale of a property in its existing condition without repairs.

Asking Price: a seller's stated price for a property.

Assessed Value: the value that a public official has placed on any asset (used to determine taxes).

Assessments: the method of placing value on an asset for taxation purposes.

Assessor: a government official who is responsible for determining the value of a property for the purpose of taxation.

Assets: any item with measurable value.

Assumable Mortgage: when a home is sold, the seller may be able to transfer the mortgage to the new buyer. This means the mortgage is assumable. Lenders generally require a credit review of the new borrower and may charge a fee for the assumption. Some mortgages contain a due-on-sale clause, which means that the mortgage may not be transferable to a new buyer. Instead, the lender may make you pay the entire balance that is due when you sell the home. An assumable mortgage can help you attract buyers if you sell your home.

Assumption Clause: a provision in the terms of a loan that allows the buyer to take legal responsibility for the mortgage from the seller.

Automated Underwriting: loan processing completed through a computer-based system that evaluates past credit history to determine if a loan should be approved. This system removes the possibility of personal bias against the buyer.

Average Price: determining the cost of a home by totaling the cost of all houses sold in one area and dividing by the number of homes sold.

- B -

"B" Loan or "B" Paper: FICO scores from 620 - 659. Factors include two 30 day late mortgage payments and two to three 30 day late installment loan payments in the last 12 months. No delinquencies over 60 days are allowed. Should be two to four years since a bankruptcy. Also referred to as Sub-Prime.

Back End Ratio (debt ratio): a ratio that compares the total of all monthly debt payments (mortgage, real estate taxes and insurance, car loans, and other consumer loans) to gross monthly income.

Back to Back Escrow: arrangements that an owner makes to oversee the sale of one property and the purchase of another at the same time.

Balance Sheet: a financial statement that shows the assets, liabilities and net worth of an individual or company.

Balloon Loan or Mortgage: a mortgage that typically offers low rates for an initial period of time (usually 5, 7, or 10) years; after that time period elapses, the balance is due or is refinanced by the borrower.

Balloon Payment: the final lump sum payment due at the end of a balloon mortgage.

Bankruptcy: a federal law whereby a person's assets are turned over to a trustee and used to pay off outstanding debts; this usually occurs when someone owes more than they have the ability to repay.

Biweekly Payment Mortgage: a mortgage paid twice a month instead of once a month, reducing the amount of interest to be paid on the loan.

Borrower: a person who has been approved to receive a loan and is then obligated to repay it and any additional fees according to the loan terms.

Bridge Loan: a short-term loan paid back relatively fast. Normally used until a long-term loan can be processed.

Broker: a licensed individual or firm that charges a fee to serve as the mediator between the buyer and seller. Mortgage brokers are individuals in the business of arranging funding or negotiating contracts for a client, but who does not loan the money. A real estate broker is someone who helps find a house.

Building Code: based on agreed upon safety standards within a specific area, a building code is a regulation that determines the design, construction, and materials used in building.

Budget: a detailed record of all income earned and spent during a specific period of time.

Buy Down: the seller pays an amount to the lender so the lender provides a lower rate and lower payments many times for an ARM. The seller may increase the sales price to cover the cost of the buy down.

- C -

"C" Loan or "C" Paper: FICO scores typically from 580 to 619. Factors include three to four 30 day late mortgage payments and four to six 30 day late installment loan payments or two to four 60 day late payments. Should be one to two years since bankruptcy. Also referred to as Sub - Prime.

Callable Debt: a debt security whose issuer has the right to redeem the security at a specified price on or after a specified date, but prior to its stated final maturity.

Cap: a limit, such as one placed on an adjustable rate mortgage, on how much a monthly payment or interest rate can increase or decrease, either at each adjustment period or during the life of the mortgage. Payment caps do not limit the amount of interest the lender is earning, so they may cause negative amortization.

Capacity: The ability to make mortgage payments on time, dependant on assets and the amount of income each month after paying housing costs, debts and other obligations.

Capital Gain: the profit received based on the difference of the original purchase price and the total sale price.

Capital Improvements: property improvements that either will enhance the property value or will increase the useful life of the property.

Capital or Cash Reserves: an individual's savings, investments, or assets.

Cash-Out Refinance: when a borrower refinances a mortgage at a higher principal amount to get additional money. Usually this occurs when the property has appreciated in value. For example, if a home has a current value of $100,000 and an outstanding mortgage of $60,000, the owner could refinance $80,000 and have additional $20,000 in cash.

Cash Reserves: a cash amount sometimes required of the buyer to be held in reserve in addition to the down payment and closing costs; the amount is determined by the lender.

Casualty Protection: property insurance that covers any damage to the home and personal property either inside or outside the home.

Certificate of Title: a document provided by a qualified source, such as a title company, that shows the property legally belongs to the current owner; before the title is transferred at closing, it should be clear and free of all liens or other claims.

Chapter 7 Bankruptcy: a bankruptcy that requires assets be liquidated in exchange for the cancellation of debt.

Chapter 13 Bankruptcy: this type of bankruptcy sets a payment plan between the borrower and the creditor monitored by the court. The homeowner can keep the property, but must make payments according to the court's terms within a 3 to 5 year period.

Charge-Off: the portion of principal and interest due on a loan that is written off when deemed to be uncollectible.

Clear Title: a property title that has no defects. Properties with clear titles are marketable for sale.

Closing: the final step in property purchase where the title is transferred from the seller to the buyer. Closing occurs at a meeting between the buyer, seller, settlement agent, and other agents. At the closing the seller receives payment for the property. Also known as settlement.

Closing Costs: fees for final property transfer not included in the price of the property. Typical closing costs include charges for the mortgage loan such as origination fees, discount points, appraisal fee, survey, title insurance, legal fees, real estate professional fees, prepayment of taxes and insurance, and real estate transfer taxes. A common estimate of a Buyer's closing costs is 2 to 4 percent of the purchase price of the home. A common estimate for Seller's closing costs is 3 to 9 percent.

Cloud On The Title: any condition which affects the clear title to real property.

Co-Borrower: an additional person that is responsible for loan repayment and is listed on the title.

Co-Signed Account: an account signed by someone in addition to the primary borrower, making both people responsible for the amount borrowed.

Co-Signer: a person that signs a credit application with another person, agreeing to be equally responsible for the repayment of the loan.

Collateral: security in the form of money or property pledged for the payment of a loan. For example, on a home loan, the home is the collateral and can be taken away from the borrower if mortgage payments are not made.

Collection Account: an unpaid debt referred to a collection agency to collect on the bad debt. This type of account is reported to the credit bureau and will show on the borrower's credit report.

Commission: an amount, usually a percentage of the property sales price that is collected by a real estate professional as a fee for negotiating the transaction. Traditionally the home seller pays the commission. The amount of commission is determined by the real estate professional and the seller and can be as much as 6% of the sales price.

Common Stock: a security that provides voting rights in a corporation and pays a dividend after preferred stock holders have been paid. This is the most common stock held within a company.

Comparative Market Analysis (COMPS): a property evaluation that determines property value by comparing similar properties sold within the last year.

Compensating Factors: factors that show the ability to repay a loan based on less traditional criteria, such as employment, rent, and utility payment history.

Condominium: a form of ownership in which individuals purchase and own a unit of housing in a multi-unit complex. The owner also shares financial responsibility for common areas.

Conforming Loan: is a loan that does not exceed Fannie Mae's and Freddie Mac's loan limits. Freddie Mac and Fannie Mae loans are referred to as conforming loans.

Consideration: an item of value given in exchange for a promise or act.

Construction Loan: a short-term, to finance the cost of building a new home. The lender pays the builder based on milestones accomplished during the building process. For example, once a sub-contractor pours the foundation and it is approved by inspectors the lender will pay for their service.

Contingency: a clause in a purchase contract outlining conditions that must be fulfilled before the contract is executed. Both, buyer or seller may include contingencies in a contract, but both parties must accept the contingency.

Conventional Loan: a private sector loan, one that is not guaranteed or insured by the U.S. government.

Conversion Clause: a provision in some ARMs allowing it to change to a fixed-rate loan at some point during the term. Usually conversions are allowed at the end of the first adjustment period. At the time of the conversion, the new fixed rate is generally set at one of the rates then prevailing for fixed rate mortgages. There may be additional cost for this clause.

Convertible ARM: an adjustable-rate mortgage that provides the borrower the ability to convert to a fixed-rate within a specified time.

Cooperative (Co-op): residents purchase stock in a cooperative corporation that owns a structure; each stockholder is then entitled to live in a specific unit of the structure and is responsible for paying a portion of the loan.

Cost of Funds Index (COFI): an index used to determine interest rate changes for some adjustable-rate mortgages.

Counter Offer: a rejection to all or part of a purchase offer that negotiates different terms to reach an acceptable sales contract.

Covenants: legally enforceable terms that govern the use of property. These terms are transferred with the property deed. Discriminatory covenants are illegal and unenforceable. Also known as a condition, restriction, deed restriction or restrictive covenant.

Credit: an agreement that a person will borrow money and repay it to the lender over time.

Credit Bureau: an agency that provides financial information and payment history to lenders about potential borrowers. Also known as a National Credit Repository.

Credit Counseling: education on how to improve bad credit and how to avoid having more debt than can be repaid.

Credit Enhancement: a method used by a lender to reduce default of a loan by requiring collateral, mortgage insurance, or other agreements.

Credit Grantor: the lender that provides a loan or credit.

Credit History: a record of an individual that lists all debts and the payment history for each. The report that is generated from the history is called a credit report. Lenders use this information to gauge a potential borrower's ability to repay a loan.

Credit Loss Ratio: the ratio of credit-related losses to the dollar amount of MBS outstanding and total mortgages owned by the corporation.

Credit Related Expenses: foreclosed property expenses plus the provision for losses.

Credit Related Losses: foreclosed property expenses combined with charge-offs.

Credit Repair Companies: Private, for-profit businesses that claim to offer consumers credit and debt repayment difficulties assistance with their credit problems and a bad credit report.

Credit Report: a report generated by the credit bureau that contains the borrower's credit history for the past seven years. Lenders use this information to determine if a loan will be granted.

Credit Risk: a term used to describe the possibility of default on a loan by a borrower.

Credit Score: a score calculated by using a person's credit report to determine the likelihood of a loan being repaid on time. Scores range from about 360 - 840: a lower score meaning a person is a higher risk, while a higher score means that there is less risk.

Credit Union: a non-profit financial institution federally regulated and owned by the members or people who use their services. Credit unions serve groups that hold a common interest and you have to become a member to use the available services.

Creditor: the lending institution providing a loan or credit.

Creditworthiness: the way a lender measures the ability of a person to qualify and repay a loan.

- D –

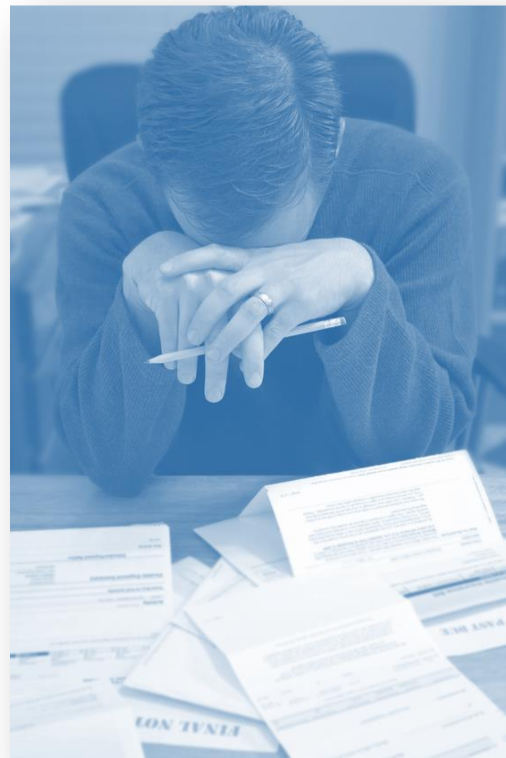
Debtor: The person or entity that borrows money. The term debtor may be used interchangeably with the term borrower.

Debt-to-Income Ratio: a comparison or ratio of gross income to housing and non-housing expenses; With the FHA, the-monthly mortgage payment should be no more than 29% of monthly gross income (before taxes) and the mortgage payment combined with non-housing debts should not exceed 41% of income.

Debt Security: a security that represents a loan from an investor to an issuer. The issuer in turn agrees to pay interest in addition to the principal amount borrowed.

Deductible: the amount of cash payment that is made by the insured (the homeowner) to cover a portion of a damage or loss. Sometimes also called "out-of-pocket expenses." For example, out of a total damage claim of $1,000, the homeowner might pay a $250 deductible toward the loss, while the insurance company pays $750 toward the loss. Typically, the higher the deductible, the lower the cost of the policy.

Deed: a document that legally transfers ownership of property from one person to another. The deed is recorded on public record with the property description and the owner's signature. Also known as the title.



Deed-in-Lieu: to avoid foreclosure ("in lieu" of foreclosure), a deed is given to the lender to fulfill the obligation to repay the debt; this process does not allow the borrower to remain in the house but helps avoid the costs, time, and effort associated with foreclosure.

Default: the inability to make timely monthly mortgage payments or otherwise comply with mortgage terms. A loan is considered in default when payment has not been paid after 60 to 90 days. Once in default the lender can exercise legal rights defined in the contract to begin foreclosure proceedings

Delinquency: failure of a borrower to make timely mortgage payments under a loan agreement. Generally after fifteen days a late fee may be assessed.

Deposit (Earnest Money): money put down by a potential buyer to show that they are serious about purchasing the home; it becomes part of the down payment if the offer is accepted, is returned if the offer is rejected, or is forfeited if the buyer pulls out of the deal. During the contingency period the money may be returned to the buyer if the contingencies are not met to the buyer's satisfaction.

Depreciation: a decrease in the value or price of a property due to changes in market conditions, wear and tear on the property, or other factors.

Derivative: a contract between two or more parties where the security is dependent on the price of another investment.

Disclosures: the release of relevant information about a property that may influence the final sale, especially if it represents defects or problems. "Full disclosure" usually refers to the responsibility of the seller to voluntarily provide all known information about the property. Some disclosures may be required by law, such as the federal requirement to warn of potential lead-based paint hazards in pre-1978 housing. A seller found to have knowingly lied about a defect may face legal penalties.

Discount Point: normally paid at closing and generally calculated to be equivalent to 1% of the total loan amount, discount points are paid to reduce the interest rate on a loan. In an ARM with an initial rate discount, the lender gives up a number of percentage points in interest to give you a lower rate and lower payments for part of the mortgage term (usually for one year or less). After the discount period, the ARM rate will probably go up depending on the index rate.

Down Payment: the portion of a home's purchase price that is paid in cash and is not part of the mortgage loan. This amount varies based on the loan type, but is determined by taking the difference of the sale price and the actual mortgage loan amount. Mortgage insurance is required when a down payment less than 20 percent is made.

Document Recording: after closing on a loan, certain documents are filed and made public record. Discharges for the prior mortgage holder are filed first. Then the deed is filed with the new owner's and mortgage company's names.

Due on Sale Clause: a provision of a loan allowing the lender to demand full repayment of the loan if the property is sold.

Duration: the number of years it will take to receive the present value of all future payments on a security to include both principal and interest.

- E –

Earnest Money (Deposit): money put down by a potential buyer to show that they are serious about purchasing the home; it becomes part of the down payment if the offer is accepted, is returned if the offer is rejected, or is forfeited if the buyer pulls out of the deal. During the contingency period the money may be returned to the buyer if the contingencies are not met to the buyer's satisfaction.

Earnings Per Share (EPS): a corporation's profit that is divided among each share of common stock. It is determined by taking the net earnings divided by the number of outstanding common stocks held. This is a way that a company reports profitability.

Easements: the legal rights that give someone other than the owner access to use property for a specific purpose. Easements may affect property values and are sometimes a part of the deed.

EEM: Energy Efficient Mortgage; an FHA program that helps homebuyers save money on utility bills by enabling them to finance the cost of adding energy efficiency features to a new or existing home as part of the home purchase

Eminent Domain: when a government takes private property for public use. The owner receives payment for its fair market value. The property can then proceed to condemnation proceedings.

Encroachments: a structure that extends over the legal property line on to another individual's property. The property surveyor will note any encroachment on the lot survey done before property transfer. The person who owns the structure will be asked to remove it to prevent future problems.

Encumbrance: anything that affects title to a property, such as loans, leases, easements, or restrictions.

Equal Credit Opportunity Act (ECOA): a federal law requiring lenders to make credit available equally without discrimination based on race, color, religion, national origin, age, sex, marital status, or receipt of income from public assistance programs.

Equity: an owner's financial interest in a property; calculated by subtracting the amount still owed on the mortgage loon(s)from the fair market value of the property.

Escape Clause: a provision in a purchase contract that allows either party to cancel part or the entire contract if the other does not respond to changes to the sale within a set period. The most common use of the escape clause is if the buyer makes the purchase offer contingent on the sale of another house.

Escrow: funds held in an account to be used by the lender to pay for home insurance and property taxes. The funds may also be held by a third party until contractual conditions are met and then paid out.

Escrow Account: a separate account into which the lender puts a portion of each monthly mortgage payment; an escrow account provides the funds needed for such expenses as property taxes, homeowners insurance, mortgage insurance, etc.

Estate: the ownership interest of a person in real property. The sum total of all property, real and personal, owned by a person.

Exclusive Listing: a written contract giving a real estate agent the exclusive right to sell a property for a specific timeframe.

- F -

FICO Score: FICO is an abbreviation for Fair Isaac Corporation and refers to a person's credit score based on credit history. Lenders and credit card companies use the number to decide if the person is likely to pay his or her bills. A credit score is evaluated using information from the three major credit bureaus and is usually between 300 and 850.

FSBO (For Sale by Owner): a home that is offered for sale by the owner without the benefit of a real estate professional.

Fair Credit Reporting Act: federal act to ensure that credit bureaus are fair and accurate protecting the individual's privacy rights enacted in 1971 and revised in October 1997.

Fair Housing Act: a law that prohibits discrimination in all facets of the home buying process on the basis of race, color, national origin, religion, sex, familial status, or disability.

Fair Market Value: the hypothetical price that a willing buyer and seller will agree upon when they are acting freely, carefully, and with complete knowledge of the situation.

Familial Status: HUD uses this term to describe a single person, a pregnant woman or a household with children under 18 living with parents or legal custodians who might experience housing discrimination.

Fannie Mae: Federal National Mortgage Association (FNMA); a federally-chartered enterprise owned by private stockholders that purchases residential mortgages and converts them into securities for sale to investors; by purchasing mortgages, Fannie Mae supplies funds that lenders may loan to potential homebuyers. Also known as a Government Sponsored Enterprise (GSE).

FHA: Federal Housing Administration; established in 1934 to advance homeownership opportunities for all Americans; assists homebuyers by providing mortgage insurance to lenders to cover most losses that may occur when a borrower defaults; this encourages lenders to make loans to borrowers who might not qualify for conventional mortgages.

First Mortgage: the mortgage with first priority if the loan is not paid.

Fixed Expenses: payments that do not vary from month to month.

Fixed-Rate Mortgage: a mortgage with payments that remain the same throughout the life of the loan because the interest rate and other terms are fixed and do not change.

Fixture: personal property permanently attached to real estate or real property that becomes a part of the real estate.

Float: the act of allowing an interest rate and discount points to fluctuate with changes in the market.

Flood Insurance: insurance that protects homeowners against losses from a flood; if a home is located in a flood plain, the lender will require flood insurance before approving a loan.

Forbearance: a lender may decide not to take legal action when a borrower is late in making a payment. Usually this occurs when a borrower sets up a plan that both sides agree will bring overdue mortgage payments up to date.

Foreclosure: a legal process in which mortgaged property is sold to pay the loan of the defaulting borrower. Foreclosure laws are based on the statutes of each state.

Freddie Mac: Federal Home Loan Mortgage Corporation (FHLM); a federally chartered corporation that purchases residential mortgages, securitizes them, and sells them to investors; this provides lenders with funds for new homebuyers. Also known as a Government Sponsored Enterprise (GSE).

Front End Ratio: a percentage comparing a borrower's total monthly cost to buy a house (mortgage principal and interest, insurance, and real estate taxes) to monthly income before deductions.

- G -

GSE: abbreviation for government sponsored enterprises: a collection of financial services corporations formed by the United States Congress to reduce interest rates for farmers and homeowners. Examples include Fannie Mae and Freddie Mac.

Ginnie Mae: Government National Mortgage Association (GNMA); a government-owned corporation overseen by the U.S. Department of Housing and Urban Development, Ginnie Mae pools FHA-insured and VA-guaranteed loans to back securities for private investment; as With Fannie Mae and Freddie Mac, the investment income provides funding that may then be lent to eligible borrowers by lenders.

Global Debt Facility: designed to allow investors all over the world to purchase debt (loans) of U.S. dollar and foreign currency through a variety of clearing systems.

Good Faith Estimate: an estimate of all closing fees including pre-paid and escrow items as well as lender charges; must be given to the borrower within three days after submission of a loan application.

Graduated Payment Mortgages: mortgages that begin with lower monthly payments that get slowly larger over a period of years, eventually reaching a fixed level and remaining there for the life of the loan. Graduated payment loans may be good if you expect your annual income to increase.

Grantee: an individual to whom an interest in real property is conveyed.

Grantor: an individual conveying an interest in real property.

Gross Income: money earned before taxes and other deductions. Sometimes it may include income from self-employment, rental property, alimony, child support, public assistance payments, and retirement benefits.

Guaranty Fee: payment to Fannie Mae from a lender for the assurance of timely principal and interest payments to MBS (Mortgage Backed Security) security holders.

- H -

HECM (Reverse Mortgage): the reverse mortgage is used by senior homeowners age 62 and older to convert the equity in their home into monthly streams of income and/or a line of credit to be repaid when they no longer occupy the home. A lending institution such as a mortgage lender, bank, credit union or savings and loan association funds the FHA insured loan, commonly known as HECM.

Hazard Insurance: protection against a specific loss, such as fire, wind etc., over a period of time that is secured by the payment of a regularly scheduled premium.

HELP: Homebuyer Education Learning Program; an educational program from the FHA that counsels people about the home buying process; HELP covers topics like budgeting, finding a home, getting a loan, and home maintenance; in most cases, completion of the program may entitle the homebuyer to a reduced initial FHA mortgage insurance premium-from 2.25% to 1.75% of the home purchase price.

Home Equity Line of Credit: a mortgage loan, usually in second mortgage, allowing a borrower to obtain cash against the equity of a home, up to a predetermined amount.

Home Equity Loan: a loan backed by the value of a home (real estate). If the borrower defaults or does not pay the loan, the lender has some rights to the property. The borrower can usually claim a home equity loan as a tax deduction.

Home Inspection: an examination of the structure and mechanical systems to determine a home's quality, soundness and safety; makes the potential homebuyer aware of any repairs that may be needed. The homebuyer generally pays inspection fees.

Home Warranty: offers protection for mechanical systems and attached appliances against unexpected repairs not covered by homeowner's insurance; coverage extends over a specific time period and does not cover the home's structure.

Homeowner's Insurance: an insurance policy, also called hazard insurance, that combines protection against damage to a dwelling and its contents including fire, storms or other damages with protection against claims of negligence or inappropriate action that result in someone's injury or property damage. Most lenders require homeowners insurance and may escrow the cost. Flood insurance is generally not included in standard policies and must be purchased separately.

Homeownership Education Classes: classes that stress the need to develop a strong credit history and offer information about how to get a mortgage approved, qualify for a loan, choose an affordable home, go through financing and closing processes, and avoid mortgage problems that cause people to lose their homes.

Homestead Credit: property tax credit program, offered by some state governments, that provides reductions in property taxes to eligible households.

Housing Counseling Agency: provides counseling and assistance to individuals on a variety of issues, including loan default, fair housing, and home buying.

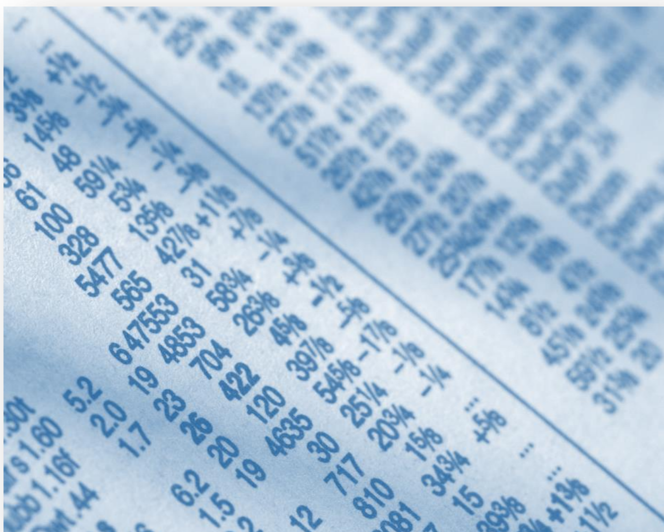
HUD: the U.S. Department of Housing and Urban Development; established in 1965, HUD works to create a decent home and suitable living environment for all Americans; it does this by addressing housing needs, improving and developing American communities, and enforcing fair housing laws.

HUD1 Statement: also known as the “settlement sheet” or “closing statement,” it itemizes all closing costs; must be given to the borrower at or before closing. Items that appear on the statement include real estate commissions, loan fees, points, and escrow amounts.

HVAC: Heating, Ventilation and Air Conditioning; a home's heating and cooling system.

- I -

Indemnification: to secure against any loss or damage, compensate or give security for reimbursement for loss or damage incurred. A homeowner should negotiate for inclusion of an indemnification provision in a contract with a general contractor or for a separate indemnity agreement protecting the homeowner from harm, loss or damage caused by actions or omissions of the general (and all sub) contractor.



Index: the measure of interest rate changes that the lender uses to decide how much the interest rate of an ARM will change over time. No one can be sure when an index rate will go up or down. If a lender bases interest rate adjustments on the average value of an index over time, your interest rate would not be as volatile. You should ask your lender how the index for any ARM you are considering has changed in recent years, and where it is reported.

Inflation: the number of dollars in circulation exceeds the amount of goods and services available for purchase; inflation results in a decrease in the dollar's value.

Inflation Coverage: endorsement to a homeowner's policy that automatically adjusts the amount of insurance to compensate for inflationary rises in the home's value. This type of coverage does not adjust for increases in the home's value due to improvements.

Inquiry: a credit report request. Each time a credit application is completed or more credit is requested counts as an inquiry. A large number of inquiries on a credit report can sometimes make a credit score lower.

Interest: a fee charged for the use of borrowing money.

Interest Rate: the amount of interest charged on a monthly loan payment, expressed as a percentage.

Interest Rate Swap: a transaction between two parties where each agrees to exchange payments tied to different interest rates for a specified period of time, generally based on a notional principal amount.

Intermediate Term Mortgage: a mortgage loan with a contractual maturity from the time of purchase equal to or less than 20 years.

Insurance: protection against a specific loss, such as fire, wind etc., over a period of time that is secured by the payment of a regularly scheduled premium.

- J -

Joint Tenancy (with Rights of Survivorship): two or more owners share equal ownership and rights to the property. If a joint owner dies, his or her share of the property passes to the other owners, without probate. In joint tenancy, ownership of the property cannot be willed to someone who is not a joint owner.

Judgment: a legal decision; when requiring debt repayment, a judgment may include a property lien that secures the creditor's claim by providing a collateral source.

Jumbo Loan: or non-conforming loan, is a loan that exceeds Fannie Mae's and Freddie Mac's loan limits. Freddie Mac and Fannie Mae loans are referred to as conforming loans.

- K -

- L -

Late Payment Charges: the penalty the homeowner must pay when a mortgage payment is made after the due date grace period.

Lease: a written agreement between a property owner and a tenant (resident) that stipulates the payment and conditions under which the tenant may occupy a home or apartment and states a specified period of time.

Lease Purchase (Lease Option): assists low to moderate income homebuyers in purchasing a home by allowing them to lease a home with an option to buy; the rent payment is made up of the monthly rental payment plus an additional amount that is credited to an account for use as a down payment.

Lender: A term referring to a person or company that makes loans for real estate purchases. Sometimes referred to as a loan officer or lender.

Lender Option Commitments: an agreement giving a lender the option to deliver loans or securities by a certain date at agreed upon terms.

Liabilities: a person's financial obligations such as long-term / short-term debt, and other financial obligations to be paid.

Liability Insurance: insurance coverage that protects against claims alleging a property owner's negligence or action resulted in bodily injury or damage to another person. It is normally included in homeowner's insurance policies.

Lien: a legal claim against property that must be satisfied when the property is sold. A claim of money against a property, wherein the value of the property is used as security in repayment of a debt. Examples include a mechanic's lien, which might be for the unpaid cost of building supplies, or a tax lien for unpaid property taxes. A lien is a defect on the title and needs to be settled before transfer of ownership. A lien release is a written report of the settlement of a lien and is recorded in the public record as evidence of payment.

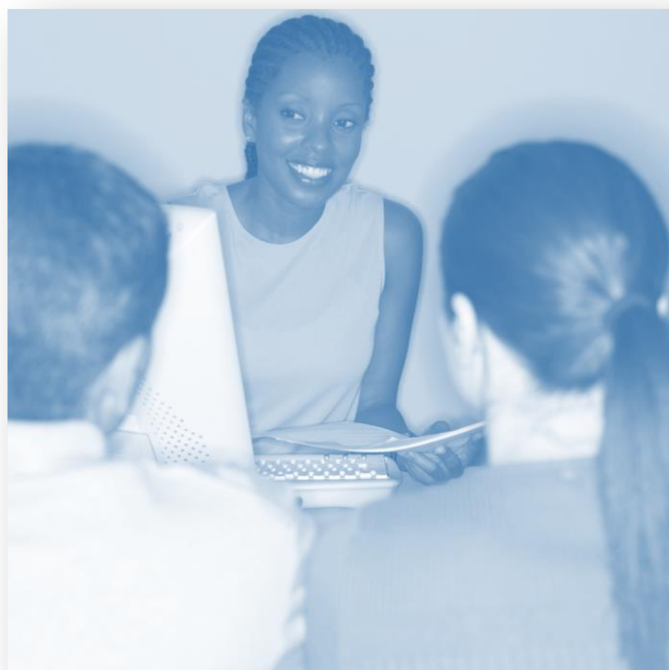
Lien Waiver: A document that releases a consumer (homeowner) from any further obligation for payment of a debt once it has been paid in full. Lien waivers typically are used by homeowners who hire a contractor to provide work and materials to prevent any subcontractors or suppliers of materials from filing a lien against the homeowner for nonpayment.

Life Cap: a limit on the range interest rates can increase or decrease over the life of an adjustable-rate mortgage (ARM).

Line of Credit: an agreement by a financial institution such as a bank to extend credit up to a certain amount for a certain time to a specified borrower.

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

Listing Agreement: a contract between a seller and a real estate professional to market and sell a home. A listing agreement obligates the real estate professional (or his or her agent) to seek qualified buyers, report all purchase offers and help negotiate the highest possible price and most favorable terms for the property seller.



Loan: money borrowed that is usually repaid with interest.

Loan Acceleration: an acceleration clause in a loan document is a statement in a mortgage that gives the lender the right to demand payment of the entire outstanding balance if a monthly payment is missed.

Loan Fraud: purposely giving incorrect information on a loan application in order to better qualify for a loan; may result in civil liability or criminal penalties.

Loan Officer: a representative of a lending or mortgage company who is responsible for soliciting homebuyers, qualifying and processing of loans. They may also be called lender, loan representative, account executive or loan rep.

Loan Origination Fee: a charge by the lender to cover the administrative costs of making the mortgage. This charge is paid at the closing and varies with the lender and type of loan. A loan origination fee of 1 to 2 percent of the mortgage amount is common.

Loan Servicer: the company that collects monthly mortgage payments and disperses property taxes and insurance payments. Loan servicers also monitor nonperforming loans, contact delinquent borrowers, and notify insurers and investors of potential problems. Loan servicers may be the lender or a specialized company that just handles loan servicing under contract with the lender or the investor who owns the loan.

Loan to Value (LTV) Ratio: a percentage calculated by dividing the amount borrowed by the price or appraised value of the home to be purchased; the higher the LTV, the less cash a borrower is required to pay as down payment.

Lock-In: since interest rates can change frequently, many lenders offer an interest rate lock-in that guarantees a specific interest rate if the loan is closed within a specific time.

Lock-in Period: the length of time that the lender has guaranteed a specific interest rate to a borrower.

Loss Mitigation: a process to avoid foreclosure; the lender tries to help a borrower who has been unable to make loan payments and is in danger of defaulting on his or her loan

- M -

Mandatory Delivery Commitment: an agreement that a lender will deliver loans or securities by a certain date at agreed-upon terms.

Margin: the number of percentage points the lender adds to the index rate to calculate the ARM interest rate at each adjustment.

Market Value: the amount a willing buyer would pay a willing seller for a home. An appraised value is an estimate of the current fair market value.

Maturity: the date when the principal balance of a loan becomes due and payable.

Median Price: the price of the house that falls in the middle of the total number of homes for sale in that area.

Medium Term Notes: unsecured general obligations of Fannie Mae with maturities of one day or more and with principal and interest payable in U.S. dollars.

Merged Credit Report: raw data pulled from two or more of the major credit-reporting firms.

Mitigation: term usually used to refer to various changes or improvements made in a home; for instance, to reduce the average level of radon.

Modification: when a lender agrees to modify the terms of a mortgage without refinancing the loan.

Mortgage: a lien on the property that secures the Promise to repay a loan. A security agreement between the lender and the buyer in which the property is collateral for the loan. The mortgage gives the lender the right to collect payment on the loan and to foreclose if the loan obligations are not met.

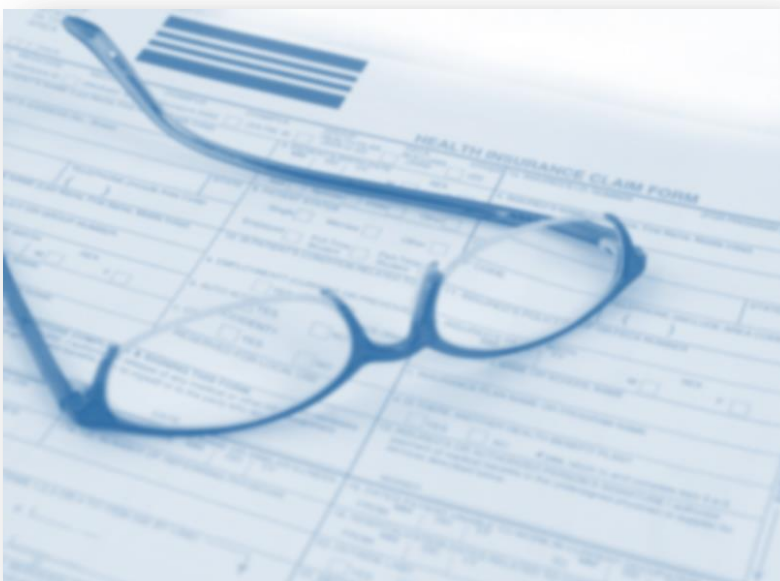
Mortgage Acceleration Clause: a clause allowing a lender, under certain circumstances, demand the entire balance of a loan is repaid in a lump sum. The acceleration clause is usually triggered if the home is sold, title to the property is changed, the loan is refinanced or the borrower defaults on a scheduled payment.

Mortgage-Backed Security (MBS): a Fannie Mae security that represents an undivided interest in a group of mortgages. Principal and interest payments from the individual mortgage loans are grouped and paid out to the MBS holders.

Mortgage Banker: a company that originates loans and resells them to secondary mortgage lenders like Fannie Mae or Freddie Mac.

Mortgage Broker: a firm that originates and processes loans for a number of lenders.

Mortgage Life and Disability Insurance: term life insurance bought by borrowers to pay off a mortgage in the event of death or make monthly payments in the case of disability. The amount of coverage decreases as the principal balance declines. There are many different terms of coverage determining amounts of payments and when payments begin and end.



Mortgage Insurance: a policy that protects lenders against some or most of the losses that can occur when a borrower defaults on a mortgage loan; mortgage insurance is required primarily for borrowers with a down payment of less than 20% of the home's purchase price. Insurance purchased by the buyer to protect the lender in the event of default. Typically purchased for loans with less than 20 percent down payment. The cost of mortgage insurance is usually added to the monthly payment. Mortgage insurance is maintained on conventional loans until the outstanding amount of the loan is less than 80 percent of the value of the house or for a set period of time (7 years is common). Mortgage insurance also is available through a government agency, such as the Federal Housing Administration (FHA) or through companies (Private Mortgage Insurance or PMI).

Mortgage Insurance Premium (MIP): a monthly payment -usually part of the mortgage payment - paid by a borrower for mortgage insurance.

Mortgage Interest Deduction: the interest cost of a mortgage, which is a tax - deductible expense. The interest reduces the taxable income of taxpayers.

Mortgage Modification: a loss mitigation option that allows a borrower to refinance and/or extend the term of the mortgage loan and thus reduce the monthly payments.

Mortgage Note: a legal document obligating a borrower to repay a loan at a stated interest rate during a specified period; the agreement is secured by a mortgage that is recorded in the public records along with the deed.

Mortgage Qualifying Ratio: Used to calculate the maximum amount of funds that an individual traditionally may be able to afford. A typical mortgage qualifying ratio is 28: 36.

Mortgage Score: a score based on a combination of information about the borrower that is obtained from the loan application, the credit report, and property value information. The score is a comprehensive analysis of the borrower's ability to repay a mortgage loan and manage credit.

Mortgagee: the lender in a mortgage agreement. Mortgagor - The borrower in a mortgage agreement.

Mortgagor: the borrower in a mortgage agreement

Multifamily Housing: a building with more than four residential rental units.

Multiple Listing Service (MLS): within the Metro Columbus area, Realtors submit listings and agree to attempt to sell all properties in the MLS. The MLS is a service of the local Columbus Board of Realtors?. The local MLS has a protocol for updating listings and sharing commissions. The MLS offers the advantage of more timely information, availability, and access to houses and other types of property on the market.

- N -

National Credit Repositories: currently, there are three companies that maintain national credit - reporting databases. These are Equifax, Experian, and Trans Union, referred to as Credit Bureaus.

Negative Amortization: amortization means that monthly payments are large enough to pay the interest and reduce the principal on your mortgage. Negative amortization occurs when the monthly payments do not cover all of the interest cost. The interest cost that isn't covered is added to the unpaid principal balance. This means that even after making many payments, you could owe more than you did at the beginning of the loan. Negative amortization can occur when an ARM has a payment cap that results in monthly payments not high enough to cover the interest due.

Net Income: Your take-home pay, the amount of money that you receive in your paycheck after taxes and deductions.

No Cash Out Refinance: a refinance of an existing loan only for the amount remaining on the mortgage. The borrower does not get any cash against the equity of the home. Also called a “rate and term refinance.”

No Cost Loan: there are many variations of a no cost loan. Generally, it is a loan that does not charge for items such as title insurance, escrow fees, settlement fees, appraisal, recording fees or notary fees. It may also offer no points. This lessens the need for upfront cash during the buying process however no cost loans have a higher interest rate.

Nonperforming Asset: an asset such as a mortgage that is not currently accruing interest or which interest is not being paid.

Note: a legal document obligating a borrower to repay a mortgage loan at a stated interest rate over a specified period of time.

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

Notice of Default: a formal written notice to a borrower that there is a default on a loan and that legal action is possible.

Notional Principal Amount: the proposed amount which interest rate swap payments are based but generally not paid or received by either party.

Non-Conforming Loan: is a loan that exceeds Fannie Mae's and Freddie Mac's loan limits. Freddie Mac and Fannie Mae loans are referred to as conforming loans.

Notary Public: a person who serves as a public official and certifies the authenticity of required signatures on a document by signing and stamping the document.

- O -

Offer: indication by a potential buyer of a willingness to purchase a home at a specific price; generally put forth in writing.

Original Principal Balance: the total principal owed on a mortgage prior to any payments being made.

Origination: the process of preparing, submitting, and evaluating a loan application; generally includes a credit check, verification of employment, and a property appraisal.

Origination Fee: the charge for originating a loan; is usually calculated in the form of points and paid at closing. One point equals one percent of the loan amount. On a conventional loan, the loan origination fee is the number of points a borrower pays.

Owner Financing: a home purchase where the seller provides all or part of the financing, acting as a lender.

Ownership: ownership is documented by the deed to a property. The type or form of ownership is important if there is a change in the status of the owners or if the property changes ownership.

Owner's Policy: the insurance policy that protects the buyer from title defects.

- P -

PITI: Principal, Interest, Taxes, and Insurance: the four elements of a monthly mortgage payment; payments of principal and interest go directly towards repaying the loan while the portion that covers taxes and insurance (homeowner's and mortgage, if applicable) goes into an escrow account to cover the fees when they are due.

PITI Reserves: a cash amount that a borrower must have on hand after making a down payment and paying all closing costs for the purchase of a home. The principal, interest, taxes, and insurance (PITI) reserves must equal the amount that the borrower would have to pay for PITI for a predefined number of months.

PMI: Private Mortgage Insurance; privately-owned companies that offer standard and special affordable mortgage insurance programs for qualified borrowers with down payments of less than 20% of a purchase price.

Partial Claim: a loss mitigation option offered by the FHA that allows a borrower, with help from a lender, to get an interest-free loan from HUD to bring their mortgage payments up to date.

Partial Payment: a payment that is less than the total amount owed on a monthly mortgage payment. Normally, lenders do not accept partial payments. The lender may make exceptions during times of difficulty. Contact your lender prior to the due date if a partial payment is needed.

Payment Cap: a limit on how much an ARM's payment may increase, regardless of how much the interest rate increases.

Payment Change Date: the date when a new monthly payment amount takes effect on an adjustable-rate mortgage (ARM) or a graduated-payment mortgage (GPM). Generally, the payment change date occurs in the month immediately after the interest rate adjustment date.

Payment Due Date: Contract language specifying when payments are due on money borrowed. The due date is always indicated and means that the payment must be received on or before the specified date. Grace periods prior to assessing a late fee or additional interest do not eliminate the responsibility of making payments on time.

Perils: for homeowner's insurance, an event that can damage the property. Homeowner's insurance may cover the property for a wide variety of perils caused by accidents, nature, or people.

Personal Property: any property that is not real property or attached to real property. For example furniture is not attached however a new light fixture would be considered attached and part of the real property.

Planned Unit Development (PUD): a development that is planned, and constructed as one entity. Generally, there are common features in the homes or lots governed by covenants attached to the deed. Most planned developments have common land and facilities owned and managed by the owner's or neighborhood association. Homeowners usually are required to participate in the association via a payment of annual dues.

Points: a point is equal to one percent of the principal amount of your mortgage. For example, if you get a mortgage for $95,000, one point means you pay $950 to the lender. Lenders frequently charge points in both fixed-rate and adjustable-rate mortgages in order to increase the yield on the mortgage and to cover loan closing costs. These points usually are collected at closing and may be paid by the borrower or the home seller, or may be split between them.

Power of Attorney: a legal document that authorizes another person to act on your behalf. A power of attorney can grant complete authority or can be limited to certain acts or certain periods of time or both.

Pre-Approval: a lender commits to lend to a potential borrower a fixed loan amount based on a completed loan application, credit reports, debt, savings and has been reviewed by an underwriter. The commitment remains as long as the borrower still meets the qualification requirements at the time of purchase. This does not guaranty a loan until the property has passed inspections underwriting guidelines.

Predatory Lending: abusive lending practices that include a mortgage loan to someone who does not have the ability to repay. It also pertains to repeated refinancing of a loan charging high interest and fees each time.

Predictive Variables: The variables that are part of the formula comprising elements of a credit-scoring model. These variables are used to predict a borrower's future credit performance.

Preferred Stock: stock that takes priority over common stock with regard to dividends and liquidation rights. Preferred stockholders typically have no voting rights.

Pre-Foreclosure Sale: a procedure in which the borrower is allowed to sell a property for an amount less than what is owed on it to avoid a foreclosure. This sale fully satisfies the borrower's debt.

Prepayment: any amount paid to reduce the principal balance of a loan before the due date or payment in full of a mortgage. This can occur with the sale of the property, the pay off the loan in full, or a foreclosure. In each case, full payment occurs before the loan has been fully amortized.

Prepayment Penalty: a provision in some loans that charge a fee to a borrower who pays off a loan before it is due.

Pre-Foreclosure Sale: allows a defaulting borrower to sell the mortgaged property to satisfy the loan and avoid foreclosure.

Pre-Qualify: a lender informally determines the maximum amount an individual is eligible to borrow. This is not a guaranty of a loan.

Premium: an amount paid on a regular schedule by a policyholder that maintains insurance coverage.

Prepayment: payment of the mortgage loan before the scheduled due date; may be Subject to a prepayment penalty.

Prepayment Penalty: a fee charged to a homeowner who pays one or more monthly payments before the due date. It can also apply to principal reduction payments.

Prepayment Penalty Mortgage (PPM): a type of mortgage that requires the borrower to pay a penalty for prepayment, partial payment of principal or for repaying the entire loan within a certain time period. A partial payment is generally defined as an amount exceeding 20% of the original principal balance.

Price Range: the high and low amount a buyer is willing to pay for a home.

Prime Rate: the interest rate that banks charge to preferred customers. Changes in the prime rate are publicized in the business media. Prime rate can be used as the basis for adjustable rate mortgages (ARMs) or home equity lines of credit. The prime rate also affects the current interest rates being offered at a particular point in time on fixed mortgages. Changes in the prime rate do not affect the interest on a fixed mortgage.

Principal: the amount of money borrowed to buy a house or the amount of the loan that has not been paid back to the lender. This does not include the interest paid to borrow that money. The principal balance is the amount owed on a loan at any given time. It is the original loan amount minus the total repayments of principal made.

Principal, Interest, Taxes, and Insurance (PITI): the four elements of a monthly mortgage payment; payments of principal and interest go directly towards repaying the loan while the portion that covers taxes and insurance (homeowner's and mortgage, if applicable) goes into an escrow account to cover the fees when they are due.

Private Mortgage Insurance (PMI): insurance purchased by a buyer to protect the lender in the event of default. The cost of mortgage insurance is usually added to the monthly payment. Mortgage insurance is generally maintained until over 20 Percent of the outstanding amount of the loan is paid or for a set period of time, seven years is normal. Mortgage insurance may be available through a government agency, such as the Federal Housing Administration (FHA) or the Veterans Administration (VA), or through private mortgage insurance companies (PMI).

Promissory Note: a written promise to repay a specified amount over a specified period of time.

Property (Fixture and Non-Fixture): in a real estate contract, the property is the land within the legally described boundaries and all permanent structures and fixtures. Ownership of the property confers the legal right to use the property as allowed within the law and within the restrictions of zoning or easements. Fixture property refers to those items permanently attached to the structure, such as carpeting or a ceiling fan, which transfers with the property.

Property Tax: a tax charged by local government and used to fund municipal services such as schools, police, or street maintenance. The amount of property tax is determined locally by a formula, usually based on a percent per $1,000 of assessed value of the property.

Property Tax Deduction: the U.S. tax code allows homeowners to deduct the amount they have paid in property taxes from there total income.

Public Record Information: Court records of events that are a matter of public interest such as credit, bankruptcy, foreclosure and tax liens. The presence of public record information on a credit report is regarded negatively by creditors.

Punch List: a list of items that have not been completed at the time of the final walk through of a newly constructed home.

Purchase Offer: A detailed, written document that makes an offer to purchase a property, and that may be amended several times in the process of negotiations. When signed by all parties involved in the sale, the purchase offer becomes a legally binding contract, sometimes called the Sales Contract.

- Q -

Qualifying Ratios: guidelines utilized by lenders to determine how much money a homebuyer is qualified to borrow. Lending guidelines typically include a maximum housing expense to income ratio and a maximum monthly expense to income ratio.

Quitclaim Deed: a deed transferring ownership of a property but does not make any guarantee of clear title.

- R -

RESPA: Real Estate Settlement Procedures Act; a law protecting consumers from abuses during the residential real estate purchase and loan process by requiring lenders to disclose all settlement costs, practices, and relationships

Radon: a radioactive gas found in some homes that, if occurring in strong enough concentrations, can cause health problems.

Rate Cap: a limit on an ARM on how much the interest rate or mortgage payment may change. Rate caps limit how much the interest rates can rise or fall on the adjustment dates and over the life of the loan.

Rate Lock: a commitment by a lender to a borrower guaranteeing a specific interest rate over a period of time at a set cost.

Real Estate Agent: an individual who is licensed to negotiate and arrange real estate sales; works for a real estate broker.

Real Estate Mortgage Investment Conduit (REMIC): a security representing an interest in a trust having multiple classes of securities. The securities of each class entitle investors to cash payments structured differently from the payments on the underlying mortgages.

Real Estate Property Tax Deduction: a tax deductible expense reducing a taxpayer's taxable income.

Real Estate Settlement Procedures Act (RESPA): a law protecting consumers from abuses during the residential real estate purchase and loan process by requiring lenders to disclose all settlement costs, practices, and relationships

Real Property: land, including all the natural resources and permanent buildings on it.

Realtor: a real estate agent or broker who is a member of the NATIONAL ASSOCIATION OF REALTORS, and its local and state associations.

Recorder: the public official who keeps records of transactions concerning real property. Sometimes known as “Registrar of Deeds” or “County Clerk”

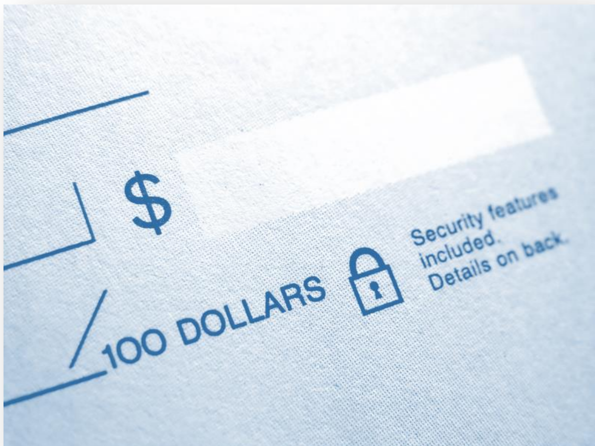
Recording: the recording in a registrar's office of an executed legal document. These include deeds, mortgages, satisfaction of a mortgage, or an extension of a mortgage making it a part of the public record.

Recording Fees: charges for recording a deed with the appropriate government agency.

Refinancing: paying off one loan by obtaining another; refinancing is generally done to secure better loan terms (like a lower interest rate).

Rehabilitation Mortgage: a mortgage that covers the costs of rehabilitating (repairing or Improving) a property; some rehabilitation mortgages - like the FHA's 203(k) - allow a borrower to roll the costs of rehabilitation and home purchase into one mortgage loan.

Reinstatement Period: a phase of the foreclosure process where the homeowner has an opportunity to stop the foreclosure by paying money that is owed to the lender.



Remaining Balance: the amount of principal that has not yet been repaid.

Remaining Term: the original amortization term minus the number of payments that have been applied.

Repayment Plan: an agreement between a lender and a delinquent borrower where the borrower agrees to make additional payments to pay down past due amounts while making regularly scheduled payments.

Return on Average Common Equity: net income available to common stockholders, as a percentage of average common stockholder equity.

Reverse Mortgage (HECM): the reverse mortgage is used by senior homeowners age 62 and older to convert the equity in their home into monthly streams of income and/or a line of credit to be repaid when they no longer occupy the home. A lending institution such as a mortgage lender, bank, credit union or savings and loan association funds the FHA insured loan, commonly known as HECM.

Right of First Refusal: a provision in an agreement that requires the owner of a property to give one party an opportunity to purchase or lease a property before it is offered for sale or lease to others.

Risk Based Capital: an amount of capital needed to offset losses during a ten-year period with adverse circumstances.

Risk Based Pricing: Fee structure used by creditors based on risks of granting credit to a borrower with a poor credit history.

Risk Scoring: an automated way to analyze a credit report verses a manual review. It takes into account late payments, outstanding debt, credit experience, and number of inquiries in an unbiased manner.

- S -

Sale Leaseback: when a seller deeds property to a buyer for a payment, and the buyer simultaneously leases the property back to the seller.

Second Mortgage: an additional mortgage on property. In case of a default the first mortgage must be paid before the second mortgage. Second loans are more risky for the lender and usually carry a higher interest rate.

Secondary Mortgage Market: the buying and selling of mortgage loans. Investors purchase residential mortgages originated by lenders, which in turn provides the lenders with capital for additional lending.

Secured Loan: a loan backed by collateral such as property.

Security: the property that will be pledged as collateral for a loan.

Seller Take Back: an agreement where the owner of a property provides second mortgage financing. These are often combined with an assumed mortgage instead of a portion of the seller's equity.

Serious Delinquency: a mortgage that is 90 days or more past due.

Servicer: a business that collects mortgage payments from borrowers and manages the borrower's escrow accounts.

Servicing: the collection of mortgage payments from borrowers and related responsibilities of a loan servicer.

Setback: the distance between a property line and the area where building can take place. Setbacks are used to assure space between buildings and from roads for a many of purposes including drainage and utilities.

Settlement: another name for closing.

Settlement Statement: a document required by the Real Estate Settlement Procedures Act (RESPA). It is an itemized statement of services and charges relating to the closing of a property transfer. The buyer has the right to examine the settlement statement 1 day before the closing. This is called the HUD 1 Settlement Statement.

Special Forbearance: a loss mitigation option where the lender arranges a revised repayment plan for the borrower that may include a temporary reduction or suspension of monthly loan payments.

Stockholders' Equity: the sum of proceeds from the issuance of stock and retained earnings less amounts paid to repurchase common shares.

Stripped MBS (SMBS): securities created by “stripping” or separating the principal and interest payments from the underlying pool of mortgages into two classes of securities, with each receiving a different proportion of the principal and interest payments.

Sub-Prime Loan: “Loan” or paper with FICO scores from 620 - 659. “Loan” or Paper with FICO scores typically from 580 to 619. An industry term used to describe loans with less stringent lending and underwriting terms and conditions. Due to the higher risk, sub-prime loans charge higher interest rates and fees.

Subordinate: to place in a rank of lesser importance or to make one claim secondary to another.

Survey: a property diagram that indicates legal boundaries, easements, encroachments, rights of way, improvement locations, etc. Surveys are conducted by licensed surveyors and are normally required by the lender in order to confirm that the property boundaries and features such as buildings, and easements are correctly described in the legal description of the property.

Sweat Equity: using labor to build or improve a property as part of the down payment

- T -

Third Party Origination: a process by which 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.

Terms: The period of time and the interest rate agreed upon by the lender and the borrower to repay a loan.

Title: a legal document establishing the right of ownership and is recorded to make it part of the public record. Also known as a Deed.

Title 1: an FHA-insured loan that allows a borrower to make non-luxury improvements (like renovations or repairs) to their home; Title I loans less than $7,500 don't require a property lien.

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

Title Defect: an outstanding claim on a property that limits the ability to sell the property. Also referred to as a cloud on the title.

Title Insurance: insurance that protects the lender against any claims that arise from arguments about ownership of the property; also available for homebuyers. An insurance policy guaranteeing the accuracy of a title search protecting against errors. Most lenders require the buyer to purchase title insurance protecting the lender against loss in the event of a title defect. This charge is included in the closing costs. A policy that protects the buyer from title defects is known as an owner's policy and requires an additional charge.

Title Search: a check of public records to be sure that the seller is the recognized owner of the real estate and that there are no unsettled liens or other claims against the property.

Transfer Agent: a bank or trust company charged with keeping a record of a company's stockholders and canceling and issuing certificates as shares are bought and sold.

Transfer of Ownership: any means by which ownership of a property changes hands. These include purchase of a property, assumption of mortgage debt, exchange of possession of a property via a land sales contract or any other land trust device.

Transfer Taxes: State and local taxes charged for the transfer of real estate. Usually equal to a percentage of the sales price.

Treasury Index: can be used as the basis for adjustable rate mortgages (ARMs) It is based on the results of auctions that the U.S. Treasury holds for its Treasury bills and securities.

Truth-in-Lending: a federal law obligating a lender to give full written disclosure of all fees, terms, and conditions associated with the loan initial period and then adjusts to another rate that lasts for the term of the loan.

Two Step Mortgage: an adjustable-rate mortgage (ARM) that has one interest rate for the first five to seven years of its term and a different interest rate for the remainder of the term.

Trustee: a person who holds or controls property for the benefit of another.

- U -

Underwriting: the process of analyzing a loan application to determine the amount of risk involved in making the loan; it includes a review of the potential borrower's credit history and a judgment of the property value.

Up Front Charges: the fees charged to homeowners by the lender at the time of closing a mortgage loan. This includes points, broker's fees, insurance, and other charges.

- V -

VA (Department of Veterans Affairs): a federal agency, which guarantees loans made to veterans; similar to mortgage insurance, a loan guarantee protects lenders against loss that may result from a borrower default.

VA Mortgage: a mortgage guaranteed by the Department of Veterans Affairs (VA).

Variable Expenses: Costs or payments that may vary from month to month, for example, gasoline or food.

Variance: a special exemption of a zoning law to allow the property to be used in a manner different from an existing law.

Vested: a point in time when you may withdraw funds from an investment account, such as a retirement account, without penalty.

- W -

Walk Through: the final inspection of a property being sold by the buyer to confirm that any contingencies specified in the purchase agreement such as repairs have been completed, fixture and non-fixture property is in place and confirm the electrical, mechanical, and plumbing systems are in working order.

Warranty Deed: a legal document that includes the guarantee the seller is the true owner of the property, has the right to sell the property and there are no claims against the property.

- X -

- Y -

- Z -

Zoning: local laws established to control the uses of land within a particular area. Zoning laws are used to separate residential land from areas of non-residential use, such as industry or businesses. Zoning ordinances include many provisions governing such things as type of structure, setbacks, lot size, and uses of a building.