

## GLOSSARY

TERM	DEFINITION
<b>abandonment</b>	A property status indicating that (1) the property is vacant and is not being maintained and (2) the property is not offered for sale or rent with a broker.
<b>acceleration</b>	Demand for immediate repayment of the entire balance of a debt if the covenants in the promissory note, assumption agreement, or security instruments are breached.
<b>acquired property</b>	A property owned by the lender as a result of foreclosure or acceptance of a deed-in-lieu; often referred to as “real estate owned.”
<b>acquisition date</b>	The date of foreclosure sale, the date title is lawfully transferred to lender, or deed-in-lieu recordation.
<b>additional interest</b>	The amount of interest accrued on the amount of the principal loss between the settlement date and the loss claim check date on a properly filed claim.
<b>additional recovery</b>	Any proceeds recovered by the Lender which occurred after a previously paid loss payment or report of REO sold. Examples may be a trailing insurance refund, collection of a deficiency judgment or similar type proceeds. Additional recovery is to be reported to the Agency through use of the <i>Additional Recovery Calculator</i> .
<b>adjustable rate mortgage (ARM)</b>	A mortgage in which the interest rate is adjusted periodically according to a specified index.
<b>adjusted annual income</b>	Income from all household members who live or propose to live in the dwelling as their primary residence for all or part of the ensuing 12 months. Adjusted annual income is used to determine whether an applicant is income-eligible for a guaranteed loan, or interest assistance, if applicable. Adjusted annual income provides for deductions to account for varying household circumstances and expenses. See Chapter 9 of this Handbook.

<b>Administrator</b>	The official of the Rural Housing Service within the Rural Development mission area (or official of its successor agency) delegated authority by the Secretary of the U.S. Department of Agriculture to ensure that Rural Housing Service mission objectives are fulfilled, including those involving the provision of decent, safe, and affordable housing and the development of essential community facilities in rural areas
<b>ad valorem taxes</b>	Property taxes based on assessed value of property.
<b>adverse decision</b>	An administrative decision made by an officer, employee or committee of the Agency that has a negative impact on the applicant or borrower.
<b>affidavit</b>	A written statement made under oath before an officer of the court or notary public.
<b>Agency</b>	The Rural Housing Service of the U.S. Department of Agriculture, Rural Development, or its successor agency.
<b>agency employee</b>	Any employee of the Rural Housing Service or any employee of the USDA Rural Development mission area who carries out Section 502 guaranteed loan program functions.
<b>aka</b>	Also known as.
<b>alien</b>	See "qualified alien."
<b>alienation</b>	Alienation of real property refers to the transfer of the interest in and/or title to real property by its owner to another, whether voluntary, for example by sale, gift, mortgage or lease; or involuntary, for example, by judicial process such as a tax sale, bankruptcy, or adverse possession.
<b>alternative dispute resolution (ADR)</b>	Processes and techniques that act as a means for disagreeing parties to come to an agreement short of litigation.
<b>American Indian restricted lands</b>	Land or any interest in land, which is: (1) held by an individual American Indian or federally recognized Indian Tribe or Tribes, including any band, Rancheria, colony, pueblo, group, community or nation of Indians or Alaska Natives; and (2) is subject to federal restrictions against alienation or encumbrance.

<b>amortization</b>	A gradual reduction of the mortgage debt through equal monthly principal and interest payments sufficient to fully repay the unpaid principal balance over the mortgage term.
<b>amortized payment</b>	A gradual reduction of the mortgage debt through equal monthly principal and interest payments sufficient to fully repay the unpaid principal balance over the mortgage term.
<b>annual fee</b>	A periodic amount that is based on the average annual scheduled unpaid principal balance of the loan and is paid by the servicing lender to Rural Development on an annual basis for issuance of a Loan Note Guarantee. The fee is included in the monthly mortgage payment of a borrower and is used when calculating payment ratios.
<b>annual income</b>	Used to determine an applicant's eligibility for assistance. All amounts, monetary or not, of the applicant's household not specifically excluded by regulations, and amounts derived from assets any members of the family have access to.
<b>applicant</b>	An adult member of the household who will be responsible for repayment of the loan and is applying to a lender for a guaranteed loan.
<b>appraisal</b>	An opinion or estimate of value. Also refers to the process by which a value estimate is obtained.
<b>appraised value</b>	An opinion of value reached by an appraiser based upon knowledge, experience, and a study of pertinent data.
<b>appraiser</b>	A person qualified by education, training, and experience to estimate the value of real and personal property.
<b>appreciation</b>	An increase in value of property for any reason, except inflation.
<b>approved lender</b>	A financial institution that meets the requirements to participate in the Single Family Guaranteed Rural Housing program. See "lender."
<b>area median income</b>	The median income in a specific locality; typically a county or Metropolitan Statistical Area (MSA), as determined by the Department of Housing and Urban Development.

<b>ARM</b>	See "adjustable rate mortgage."
<b>arm's length transaction</b>	A negotiation where the agents involved deal completely with each other as strangers and do not collude.
<b>assessed valuation</b>	Value assigned to a piece of property by the local governmental unit for taxation purposes. This is usually less than the market value of the property. The relationship between assessed and market value varies widely depending on location and jurisdiction.
<b>assessment</b>	A charge made against property by a state, county, city, or other authorized taxing jurisdiction.
<b>asset management</b>	The process of managing a property or properties from acquisition to disposition within owner-defined objectives ranging from investment & operation analysis to the positioning of the property in the marketplace.
<b>assignment of mortgage</b>	A document that evidences a transfer of ownership of a mortgage from one mortgagee to another.
<b>assumption</b>	A method of selling real estate wherein the property purchaser accepts the liability for payment of an existing mortgage.
<b>attachment</b>	The act of taking property into the custody of the law to provide security for payment of a judgment in an impending suit.
<b>attorney costs</b>	Actual costs incurred associated with the most recent liquidation action. Does not include attorney fees. Applicable to foreclosure and bankruptcy.
<b>attorney fees</b>	Actual fees incurred associated with the most recent liquidation action. Does not include costs. Maximum claimable expense varies from state to state. Applicable to foreclosure and bankruptcy.
<b>AU</b>	See "Automated Underwriting."
<b>automated underwriting (AU) system</b>	An AU system automates a manual underwriting process. It serves as a "transaction manager" that includes communication links between transaction participants, the capability to retrieve data from a variety of sources, and a scorecard. Lenders transmit loan-level data electronically to an AU system; the data is evaluated by the scorecard and lenders receive a credit risk classification based on the risk inherent in the loan application.

<b>automated valuation model (AVM)</b>	Also known as a comparable sale report. Online databases are used to try to match up similar properties to provide the range of sales prices that have been historically recorded. This information is limited to factual data, such as house size, number of rooms and bedrooms, age, and distance surrounding the house. Some databases use historical information, taken from mostly county record data. Some databases collect information from appraisal reports.
<b>automatic stay</b>	A provision of the Federal Bankruptcy Code that stops any act that can be construed to be an act against the interests of the debtor or the debtor's property.
<b>AVM</b>	See "automated valuation model."
<b>balloon mortgage</b>	A mortgage with periodic installments of principal and interest that do not fully amortize a loan. The balance of the mortgage is due in a lump sum at a specified date, usually at the end of the term.
<b>bankrupt</b>	A person, firm, or corporation who, through a court proceeding, is relieved from the payment of all debts after the surrender of all assets to a court-appointed trustee, for the protection of creditors. Bankruptcy may be declared under one of several chapters of the Federal Bankruptcy Code: <ul style="list-style-type: none"> <li>• <b>Chapter 7</b>, which covers individual or business bankruptcy liquidation;</li> <li>• <b>Chapter 11</b>, which covers reorganization of bankrupt businesses;</li> <li>• <b>Chapter 12</b>, which covers certain farm bankruptcies; and</li> <li>• <b>Chapter 13</b>, which covers workouts of debts by individuals in which a debtor retains possession of property while making payments to creditors under a court- approved plan.</li> </ul>
<b>bankruptcy discharge</b>	Legal petition releasing the debtor from all dischargeable debts.
<b>bankruptcy dismissal</b>	Legal order as a result of a motion filed by either the debtor or another interested party seeking to dismiss the bankruptcy case.
<b>basis point</b>	One one-hundredth of one percent. Used to describe changes in yield on debt instruments, including mortgages.
<b>borrower</b>	An individual obligated to repay the loan guaranteed under the Guaranteed Rural Housing loan program.

<b>BPO</b>	See "broker price opinion."
<b>BOV</b>	Broker opinion of value. See "broker price opinion."
<b>broker price opinion (BPO) or broker opinion of value (BOV)</b>	Used to estimate value of a property based upon a comparison to other similar properties recently sold. Also known as comparative market analysis (CMA).
<b>business day</b>	A business day is a day other than a Saturday or Sunday or a day on which the offices of the Federal Government are closed. For the purposes of this handbook, the word "day" without the modifier "business" refers to a calendar day.
<b>buy-down mortgage</b>	A mortgage with a below-market interest rate made by a lender in return for an interest rate subsidy in the form of additional discount points paid by the builder, seller, or buyer.
<b>CAIVRS</b>	See "Credit Alert Verification Reporting System."
<b>calendar day</b>	Every day of the calendar month, which includes Saturday, Sunday, and state and federal holidays.
<b>capital improvement</b>	Any structure or component erected as a permanent improvement to real property, which adds to its value and useful life.
<b>capitalization</b>	The adding of expected payments to the remaining unpaid balance of the loan.
<b>case file</b>	A file established for each application to contain all documents used for loan origination.
<b>cash flow</b>	Money left from gross income after all expenses, both operating and debt service, have been deducted.
<b>certificate of foreclosure</b>	(Connecticut Only) A document found on the land records which is evidence that a foreclosure has been completed and the mortgagee now owns the property.

<b>charge off</b>	To treat as a loss; to designate as an expense an amount originally recorded as an asset.
<b>closing costs</b>	Various fees required to conclude a real estate transaction.
<b>closing date</b>	In real estate, the delivery of a deed, financial adjustments, the signing of notes and the disbursement of funds necessary to consummate a sale or loan transaction. See also "settlement date."
<b>Closing Disclosure</b>	A form that provides final details about the mortgage loan prior to the closing or settlement date. It includes the loan terms, projected monthly payments, and the amount of fees and other costs related to finalizing the real-estate transaction. The lender must provide the borrower with the Closing Disclosure at least 3 business days prior to loan consummation. This form replaced the HUD-1 Settlement Statement.
<b>cloud on title</b>	Any outstanding claim or encumbrance that, if valid, would affect or impair the title search. It can be removed by a quitclaim deed, release, or court action.
<b>CMA</b>	Comparative market analysis. See "broker price opinion."
<b>Cohort</b>	A group with similar characteristics. OMB Circular A-11 refers to a cohort as all direct loans or loan guarantees of a program for which a subsidy appropriation is provided for a given year. A cohort is usually defined by the fiscal year of the appropriation.
<b>collateral</b>	Property pledged as security for a debt, for example, real estate pledged as security for a mortgage.
<b>collateral estoppel</b>	Prior judgment from a lawsuit between parties on a different cause of action that bars re-litigation of those matters in a subsequent lawsuit.
<b>combination construction and permanent loan</b>	A guaranteed loan on which the Rural Development guarantee becomes effective at the time construction of an eligible single-family housing project begins.

<b>committee of sale</b>	(Connecticut Only) An attorney appointed by the Court to conduct the auction of the mortgaged property in a foreclosure action.
<b>common law</b>	As distinguished from law created by legislatures (statutory law), the common law is that law which is founded in ancient customs and practices as interpreted by the Courts.
<b>community land trust</b>	A private nonprofit community housing development organization that is established to acquire parcels of land, held in perpetuity, primarily for conveyance under long-term ground leases. See § 502(a)(3)(b) of the Housing Act of 1949, as amended.
<b>comparables</b>	Properties used for comparative purposes in the appraisal process that have similar characteristics to the subject property.
<b>compensating factors</b>	Information that indicates that an applicant may be able to make larger regular loan payments than a ratio analysis indicates.
<b>compliance review</b>	An official review, on-site or desk audit, to determine lender or Agency field office compliance with program regulations. Agency field office compliance reviews are conducted under RD Instruction 2006-M.
<b>concessions</b>	Sales concessions influence the price paid for real estate and may be in the form of loan discount points, loan origination fees, interest rate buy downs, closing cost assistance, payment of condominium fees, builder incentives, down payment assistance, repairs or repair credits given by the seller or any other party involved in the transaction.
<b>condemnation</b>	The taking of private property for public use. Under a condemnation proceeding, property is taken with or without the consent of the owner, but with just compensation. See also eminent domain.
<b>Conditional Commitment</b>	Rural Development's agreement that a proposed loan will be guaranteed if all conditions and requirements established by Rural Development are met.
<b>condominium</b>	A form of property ownership whereby the purchaser receives title to a specified residential unit and a proportionate interest in common areas of the condominium project in which the unit is located.



<b>condominium project</b>	A real estate project in which each owner has title to a unit in a building, an undivided interest in the common areas of the project and sometimes the exclusive use of certain limited common areas.
<b>confirmation hearing (bankruptcy)</b>	A legal proceeding where the debtor's proposed Chapter 13 plan is reviewed and either approved or denied by the Bankruptcy Judge.
<b>confirmation hearing (foreclosure)</b>	A legal proceeding where the Sheriff's Sale is confirmed and title is transferred to the successful bidder from the sale.
<b>confirmation of bankruptcy plan</b>	A Bankruptcy Court order which approves a debtor's plan to pay the debts owed to his/her/their creditors as of the date of the filing of the bankruptcy petition. In some jurisdictions, "confirmation" may be referred to as "ratification."
<b>conventional financing</b>	In real estate, mortgage financing which is not insured or guaranteed by a government agency such as HUD/FHA, VA, or the Rural Housing Service.
<b>conveyance</b>	The document, such as a deed, lease or mortgage, used to affect a transfer.
<b>correspondent</b>	A specialized type of mortgage banker entity whose function is limited to the origination of mortgage loans that are sold to other mortgage bankers or investment bankers. The correspondent performs some or the entire loan processing functions such as taking the application; ordering credit reports, appraisals, and title reports; and verifying the borrower's income and employment. The correspondent may or may not have delegated underwriting and typically funds the loans at settlement. The mortgage is closed in the correspondent's name and the correspondent may or may not service the mortgage. The correspondent may commission a mortgage broker to perform some of the processing functions. Also known as "mortgage loan correspondent."
<b>co-signer</b>	One who agrees to assume a debt obligation if the principal borrower defaults on mortgage payments. A co-signer assumes only personal liability and has no ownership interest in the property; his or her income and obligations are used in the underwriting process to reinforce the credit of the principal borrower.

<b>cost approach to value</b>	A means of valuation where the worth of a property is determined by computing the replacement value of improvements, depreciation, and the value of the land.
<b>COTS</b>	Commercial off-the-shelf software
<b>counterclaim</b>	A claim presented in a pending lawsuit by a defendant against plaintiff in opposition to, or deduction from, plaintiff's claim.
<b>cram down</b>	The effect of certain provisions of the Bankruptcy Code which allow the debtor to avoid the unsecured portion of an under-secured claim when the under-secured claim is not secured solely by the debtor's principal residence. Also known as lien stripping.
<b>Credit Alert Verification Reporting System (CAIVRS)</b>	CAIVRS is a HUD-maintained online information system that enables both government and participating lenders to learn when a potential borrower has previously defaulted on a federally-assisted loan.
<b>credit exception</b>	A consideration of mitigating circumstance to establish the intent for good credit. See Chapters 5, 10, and 11 of this Handbook.
<b>credit repository or credit bureau</b>	An institution that for a fee provides historical credit records of individuals provided to them by creditors subscribing to their services.
<b>credit score</b>	A credit score is an overall numerical rating, developed from an individual's credit profile including information on payment history, amounts owed, length of credit history, new credit, and types of credit used, that indicates the likelihood that a borrower will repay future obligations. Scores are weighted and range from approximately 365 to 840. Low scores reflect a "high risk", while higher scores reflect a "lower risk". See also "FICO."
<b>cross-claim</b>	A claim in a pending lawsuit by a defendant against another defendant.
<b>custodial property</b>	Borrower-owned real property that serves as security for a loan that has been taken into possession by the Agency to protect Government's interest.
<b>custodian</b>	The custodian is an institution that verifies and maintains the original notes and assignments of security instruments, which includes either a third-party custodian or a holding lender acting as its own custodian.

<b>dba</b>	Doing business as
<b>DCIA</b>	See "Debt Collection Improvement Act
<b>debarment</b>	An action taken under part 3017 of this title or title 48 of the Code of Federal Regulations to exclude a person or entity from participating in federal programs.
<b>debenture rate</b>	The rate for purposes of calculating a claim to be paid by HUD is the monthly average yield, for the month in which the default on the mortgage occurred, on United States Treasury Securities adjusted to a constant maturity of 10 years. The yields can be found in <a href="http://www.federalreserve.gov">FRB: H.15 Release--Selected Interest Rates--Historical Data (federalreserve.gov)</a>
<b>Debt Collection Improvement Act (DCIA)</b>	The Debt Collection Improvement Act of 1996 centralized the government-wide collection of delinquent debt. The Financial Management Service (FMS) is the US Treasury agency responsible for implementation of the debt collection provisions of the DCIA.
<b>debt-to-income ratio</b>	Total debt ratio is calculated by dividing monthly obligations (proposed PITI, assessments & long-term obligations) by gross monthly income. PITI ratio is calculated by dividing PITI by gross monthly income. See Chapter 11 of this Handbook.
<b>debt instrument</b>	A collective term encompassing obligating documents for a loan, including any applicable promissory note, assumption agreement, or a grant agreement.
<b>debt settlement</b>	Actions undertaken to collect at least a portion of debt owed to the Agency in conjunction with a voluntary liquidation, forced liquidation, or after the debt is fully matured. Debt settlement, when complete, closes the account.
<b>declaration page</b>	A short form provided by an insurance company outlining pertinent information about an insurance policy, such as the insured party's name and address, amount of coverage, terms, and additional provisions.
<b>deed-in-lieu</b>	A voluntary transfer of title on a defaulted mortgage by deed from the borrower to the lender as an alternative to foreclosure. By arrangement between the parties, the lender saves the expense of foreclosure and the borrower generally expects to receive credit for payment of the debt in full.

<b>deed of trust</b>	A type of security instrument in which the borrower conveys a trust to hold property to a third party (trustee) as security for the lender, with the condition that the trustee shall reconvey the title upon the payment of the debt and, conversely, will sell the land and pay the debt in the event of a default by the borrower.
<b>default</b>	A breach or nonperformance of the terms of a note or the covenants of a mortgage.
<b>default judgment</b>	Judgment entered in a lawsuit when a defendant has failed to enter a plea or otherwise defend himself.
<b>defendant</b>	Any person or entity that is being sued.
<b>deficient housing</b>	A dwelling that lacks complete plumbing; lacks adequate heating; is dilapidated or structurally unsound; has an overcrowding situation that will be corrected with loan funds; or that is otherwise uninhabitable, unsafe, or poses a health or environmental threat to the occupant or others.
<b>Deficiency</b>	The negative difference between the balance outstanding on loan and proceeds from the sale of the loan collateral.
<b>deficiency judgment</b>	A court order to pay the balance owed on a loan if the proceeds from the sale of the security are insufficient to pay off the loan.
<b>delinquency</b>	<p>Failure to make timely payments under a loan agreement.</p> <p>Freddie Mac glossary: Delinquency occurs when all or part of the borrower's monthly installment of principal, interest and, where applicable, escrow is unpaid after the due date. If the due date is the first day of the month, the mortgage is thirty days delinquent when all or part of one or more payment(s) remain unpaid as of the close of business on the last business day of the month. If the due date is not the first day of the month (from the second through the thirty-first day of the month), the mortgage is thirty days delinquent when all or part of one or more payment(s) remain unpaid 30 or more calendar days as of close of business on the last business day of the month.</p>

<b>density</b>	The ratio of land area to the number of structures built upon it.
<b>Department of Housing and Urban Development (HUD)</b>	A department of the Executive branch of the government responsible for the implementation and administration of housing and urban development programs. HUD was established by the Housing and Urban Development Act of 1965 to supersede the Housing and Home Finance Agency.
<b>Department of Veteran Affairs</b>	A department of the Executive branch of the government responsible for the implementation and administration to provide veterans benefits and services.
<b>deposit</b>	Money given as security for the performance of a contract, which is to be forfeited if the depositor fails in the undertaking. See also "earnest money."
<b>depreciation</b>	A sum representing presumed loss in the value of a building or other real estate improvement, resulting from physical wear and economic obsolescence.
<b>DIL</b>	See "deed-in-lieu."
<b>discount point</b>	Amount payable to the lending institution by the borrower or seller to increase the lender's effective yield. It may represent a payment for services rendered in issuing a loan or additional interest to the lender payable in advance. One point is equal to 1 percent of the loan.
<b>dismissal with prejudice</b>	In the bankruptcy court, a court order dismissing the bankruptcy case with an order prohibiting the debtor from filing another bankruptcy until the expiration of some specified time. In a non-bankruptcy matter, the dismissal of an action is without the right to raise those issues again
<b>disposition value</b>	See "market value."
<b>docket</b>	A list of cases and their status on a court's calendar.
<b>down payment</b>	The amount of cash a borrower may need to pay in order to buy a piece of property; equal to the purchase price minus the amount of any mortgage loans used to finance the purchase.
<b>draw schedule</b>	A detailed schedule of payments agreed to by the borrower, Agency, and contractor under which the contractor will receive payments for work completed.

<b>due date of last paid installment (DDLPI)</b>	The due date of the last fully paid monthly installment of principal, interest, and escrow (if any), not the date on which such payment was credited or the date of the next scheduled installment. (Freddie Mac definition)
<b>due diligence</b>	Refers to a legal obligation, e.g., in connection with the public sale of securities in real estate syndicates, of the underwriting or selling group to ensure that the offering statement or prospectus does not misstate or omit material information.
<b>due-on-sale clause</b>	A clause in the mortgage providing that if the mortgagor sells, transfers, or in any way encumbers the property, the mortgagee has the right to implement the acceleration clause making the balance of the obligation due. Also known as encumbrance. See also "Garn-St. Germain Act."
<b>early indicator</b>	A risk scoring model prescribed by Freddie Mac to identify high-risk loans.
<b>earnest money</b>	A sum of money given to bind a sale of real estate, to assure payment or an advance of funds in the processing of a loan; a deposit.
<b>easement</b>	The legal right to use land, or a portion of land, owned by another for a limited purpose.
<b>ECOA</b>	See "Equal Credit Opportunity Act."
<b>EDI</b>	See "electronic data interchange."
<b>EFT</b>	See "electronic funds transfer."
<b>EIS</b>	See "environmental impact statement."

<p><b>elderly family</b></p>	<p>An elderly family consists of one of the following:</p> <p>(1) A person who is the head, spouse, or sole member of a family and who is 62 years of age or older, or who is disabled, and is an applicant or borrower; or</p> <p>(2) Two or more persons who are living together, at least one of whom is age 62 or older, or disabled, and who is an applicant or borrower; or</p> <p>(3) In the case of a family where the deceased borrower or spouse was at least 62 years old or disabled, surviving household members shall continue to be classified as an elderly family for determining adjusted income, even though the surviving members may not meet the definition of elderly family on their own, provided:</p> <ul style="list-style-type: none"> <li>• They occupied the dwelling with the deceased family member at the time of the death;</li> <li>• If one of the surviving family members is the spouse of the deceased family member, the family shall be classified as an elderly family only until the remarriage of the surviving spouse; and</li> <li>• At the time of the death of the deceased family member, the dwelling was financed under title V of the Housing Act of 1949.</li> </ul>
<p><b>electronic data interchange (EDI)</b></p>	<p>An electronic communication method that provides standards for exchanging data via any electronic means.</p>
<p><b>electronic status reporting (ESR)</b></p>	<p>A business process of exchanging standardized information by computer application-to-computer application between private industry and Rural Housing Services (RHS). This exchange is accomplished by accessing the USDA LINC Electronic Status Reporting web pages and includes the utilization of standardized EDI transaction sets.</p>
<p><b>electronic funds transfer (EFT)</b></p>	<p>The Debt Collection Improvement Act of 1996 (DCIA) required the use of electronic funds transfer (EFT) for most federal payments by 1999. The law itself defines the term "electronic funds transfer" as an instruction to a "financial institution" to credit or debit an "account." These are also referred to as electronic payments.</p>
<p><b>eminent domain</b></p>	<p>The right of government bodies, public utilities, and public service corporations to take private property for public use (e.g., schools, roads, etc.) on payment of its fair market value.</p>
<p><b>encroachment</b></p>	<p>A property improvement that illegally violates another's property.</p>
<p><b>encumbrance</b></p>	<p>Mortgage, loans, or other restrictions that alter or restrain full title of ownership.</p>

<b>ENR</b>	See "estimated net recovery."
<b>environmental hazard</b>	A potentially harmful condition associated with the external physical conditions that surround one
<b>environmental impact statement (EIS)</b>	A detailed written statement in the public record of major federal action affecting human environment. The EIS explores and objectively evaluates reasonable alternatives to the federal action.
<b>environmental review (ER)</b>	An analysis of the potential for environmental impacts from a proposed action by the Agency and an examination of alternatives to avoid or minimize adverse impacts on the environment.
<b>equal credit opportunity act (ECOA)</b>	A Federal law that requires lenders and other creditors to make credit equally available without discrimination based on race, color, religion, national origin, age, sex, marital status, or receipt of income from public assistance programs. Also called "Regulation B."
<b>equitable</b>	Just; conformable to the principals of justice and right
<b>equity</b>	Net ownership, the difference between fair market value of the mortgaged premises and the current indebtedness, the total dollar amount of all mortgages and other liens secured by the property, sometimes called "owner's interest."
<b>escrow account</b>	An account in which is deposited, the portion of the borrower's monthly payment collected to cover expenses to be paid under the mortgage, including, but not limited to, taxes, special assessments, ground rents and other charges that are or may become first liens on the mortgaged premises, as well as property (hazard) insurance premiums, and if applicable, mortgage insurance premiums, held in trust by the lender.
<b>escrow balance</b>	The balance of the escrow account as of the application of the last borrower payment.
<b>estimated net recovery (ENR)</b>	The figure used by Rural Development to settle a loss claim on an unsold REO. A lender's ENR is based on a liquidation value appraisal to which is applied the current REO cost factor to estimate REO expenses to be deducted.



<b>estoppel</b>	A party prevented by his own acts from claiming a right to the detriment of a second party, when the second party did some act in reliance on the first party's acts. An estoppel arises when one is forbidden by law to speak against his own act or deed.
<b>estoppel letter</b>	A letter requesting the precise amount of indebtedness remaining to facilitate the conveyance of a mortgage to another.
<b>eviction action</b>	A court action to obtain possession of premises by the person entitled to actual possession. Also may be known as "forcible entry and detainer (FED)."
<b>execute</b>	To perform or complete.
<b>existing dwelling or unit</b>	A dwelling or unit that has either been previously owner-occupied or has been completed for more than 1-year as evidenced by an occupancy permit, certificate of occupancy, or confirmation of manufacture date or similar document issued by the local authority or affixed to a unit. It does not meet the definition of "new dwelling."
<b>extended-term loan modification</b>	A loan modification in which the lender reduces the interest rate to a level at or below the maximum allowable interest rate and then extends the repayment term up to a maximum of 40 years from the date of loan modification, but only if necessary to achieve the targeted mortgage payment to income ratio.
<b>fair credit reporting act (FCRA)</b>	The Fair Credit Reporting Act governs how credit reports may be maintained and used. Among its purposes is to ensure that credit reporting agencies respect the consumer's right to privacy.
<b>fair debt collection practices act (FDCPA)</b>	A Federal act that provides the ground rules for communication with a consumer debtor and prescribes the way debts may be collected.
<b>fair market value</b>	The price at which property is transferred between a willing buyer and a willing seller - both with good information and no compulsion to buy or sell. See also "market value."
<b>false information</b>	Information that the recipient knew was incorrect or should have known was incorrect and was provided or omitted for the purposes of obtaining assistance for which the recipient was not eligible.

<b>Fannie Mae</b>	A stock-holder-owned corporation established by Congress that supplies funds to mortgage lenders. Mortgages funded by Fannie Mae must comply with their selling and servicing requirements. Also considered a quasi-governmental secondary market organization, it offers various mortgage purchase and securitization programs. Mortgages funded by Fannie Mae must comply with their selling and servicing requirements. Formerly known as "Federal National Mortgage Association (FNMA)."
<b>FAQ</b>	Frequently asked questions
<b>Farm Credit Administration (FCA)</b>	The Farm Credit Administration (FCA or Agency) is an independent agency in the executive branch of the U.S. Government. It is responsible for the regulation and examination of the banks, associations, and related entities that collectively comprise what is known as the Farm Credit System (FCS), including the Federal Agricultural Mortgage Corporation (Farmer Mac).
<b>Farm Credit System (FCS)</b>	Chartered in 1917, FCS is a \$65 billion-plus nationwide agricultural network of lending institutions providing credit and affiliated services to farm and ranch operators across the United States. FCS associations are owned by their stockholders/customers and are governed by a board of directors elected by the customer-owners and operate on a cooperative basis.
<b>Farmers Home Administration (FmHA)</b>	Formerly, an agency of the Department of Agriculture that provided farm, community facility and housing loans and grants to eligible recipients in rural areas.
<b>FDCPA</b>	See "Fair Debt Collection Practices Act."
<b>Fed</b>	A shortened term for the Federal Reserve System
<b>FED</b>	See "forcible entry and detainer."
<b>Federal Deposit Insurance Corporation (FDIC)</b>	Originally established by the Banking Act of 1933 to protect depositors from loss. As a result of FIRREA, the FDIC administers the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF). An FDIC-insured depository is a depository institution whose deposits are insured by FDIC.

<b>Federal Home Loan Bank Board (FHLBB)</b>	The FHLBB was a regulatory and supervisory agency for federally chartered savings institutions and was abolished by FIRREA. It oversaw the operations of the Federal Savings and Loan Insurance Corporation (FSLIC) and the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac).
<b>Federal Home Loan Mortgage Corporation (FHLMC)</b>	See "Freddie Mac."
<b>Federal Housing Administration (FHA)</b>	A federal agency within the Department of Housing and Urban Development that provides mortgage insurance for residential mortgages and sets standards for construction and underwriting. The FHA does not lend money, nor does it plan or construct housing.
<b>Federal National Mortgage Association (FNMA)</b>	See "Fannie Mae."
<b>Federal Reserve</b>	The Federal Reserve, the central bank of the U.S., founded by Congress in 1913 to provide a safer, more flexible, and more stable monetary and financial system. Federal Reserve's duties fall into four areas: (1) conducting the nation's monetary policy; (2) supervising and regulating banking institutions and protecting the credit rights of consumers; (3) maintaining the stability of the financial system; and (4) providing certain financial services to the U.S. government, the public, financial institutions, and foreign official institutions.
<b>Federal Savings &amp; Loan Insurance Corporation (FSLIC)</b>	Originally established in 1934 by the National Housing Act to insure deposits in participant savings and loan associations, FSLIC was dissolved by FIRREA. Under FIRREA, the Savings Association Insurance Fund (SAIF) is the new thrift insurance fund, administered by the Federal Deposit Insurance Corporation (FDIC).
<b>Federally Manufactured Home Construction and Safety Standard (FMHCSS)</b>	See "manufactured home."

<b>fee or fee simple</b>	The greatest possible interest a person can have in real estate, including the right to dispose of the property or pass it on to one's heirs.
<b>fee simple ownership</b>	A form of ownership under which the owner has absolute title to a piece of property.
<b>FHA</b>	See "Federal Housing Administration."
<b>FHA insurance</b>	An undertaking by FHA to insure the lender against loss arising from a default by the borrower.
<b>FHA mortgage</b>	A home mortgage that is fully insured by the FHA under Sections 203(b), 203(h) or 203(i) [Home Unsubsidized], 222 [Servicemen] or 234 [Individual Condominium Unit] of the National Housing Act, as amended.
<b>FHLMC</b>	See "Federal Home Loan Mortgage Corporation."
<b>FICA tax</b>	Also known as the "Social Security" tax. FICA stands for Federal Insurance Contributions Act.
<b>FICO score</b>	A credit scoring model developed by Fair Isaac and Company, Inc. See also "credit score."
<b>fidelity bond</b>	A business insurance policy that protects an employer in case of any loss of money or property due to employee. It covers any type of stealing: theft, forgery, larceny, and embezzlement.
<b>field office</b>	An office that delivers services on Agency programs to the public.
<b>FIRREA (Financial Institutions Reform, Recovery and Enforcement Act of 1989)</b>	The law enacted to restructure the thrift industry. The Act created regulatory entities to oversee thrifts and established risk-based capital guidelines for Qualified Thrift Lenders (QTLs). The Act created the Federal Housing Finance Board (FHFB), and the Resolution Trust Corporation (RTC); the Act dissolved the Federal Home Loan Bank Board (FHLBB) and the Federal Savings and Loan Insurance Corporation (FSLIC).
<b>first legal action</b>	The date of first action required by law to initiate foreclosure. See also "foreclosure initiation." Action varies by state.

<b>first lien</b>	<p>A first lien is any lien that meets both of the following requirements:</p> <ol style="list-style-type: none"> <li>(1) The lien is acceptable to private institutional first-mortgage investors in the area where the mortgaged premises are located, and</li> <li>(2) The lien grants to the lien holder a claim against the property that, under the law of the jurisdiction where the mortgaged premises are located, is prior to the rights of all others, subject only to prior liens and encumbrances expressly waived.</li> </ol>
<b>first mortgage</b>	<p>A real estate loan that creates a primary lien against real property.</p>
<b>first-time homebuyers</b>	<p>A preference extended to households where the applicant meets one of the following criteria:</p> <ol style="list-style-type: none"> <li>(1) No ownership interest in a principal residence during the three-year period ending on the date of loan closing; or</li> <li>(2) A displaced homemaker or single parent who, except for owning with a spouse, had no ownership interest in a principal residence during the three-year period ending on the date of loan closing. Displaced homemakers include any individual who is:             <ol style="list-style-type: none"> <li>(i) An adult;</li> <li>(ii) Unemployed or underemployed;</li> <li>(iii) Experiencing difficulty in obtaining or upgrading employment; and</li> <li>(iv) In recent years has worked primarily without remuneration to care for the home and family, but has not worked full-time, full-year in the labor force.</li> </ol> </li> <li>(3) An individual who is a single parent and who, except for owning a home with a spouse, has had no ownership interest in a principal residence during the three-year period ending on the date of loan closing. Single parents include any individual who is:             <ol style="list-style-type: none"> <li>(4) Unmarried or legally separated; and</li> <li>(5) Has custody or joint custody of one or more children or is pregnant.</li> </ol> </li> </ol>
<b>fiscal year</b>	<p>A fiscal year is a 12-month accounting period. The fiscal year for the Federal Government begins October 1 and ends September 30. The fiscal year is designated by the calendar year in which it ends; for example, fiscal year 1997 is the year beginning October 1, 1996, and ending September 30, 1997.</p>
<b>fixed rate mortgage (FRM)</b>	<p>A mortgage in which the interest rate and payments remain the same for the life of the loan.</p>

<b>flipping</b>	The practice of buying property as an investment at a bargain price, making superficial repairs and re-selling it quickly at an inflated price. Elements of fraudulent "flipping" are older, decaying property, cosmetic repairs, inflated sale price and eager, unsophisticated buyers.
<b>float</b>	In mortgage servicing, the period of time between the receipt of the borrower's funds and remittance of those funds to investors.
<b>FmHA</b>	See "Farmers Home Administration."
<b>FNMA</b>	See "Fannie Mae."
<b>forbearance</b>	The act of refraining from taking legal action even though a mortgage is in arrears. It is usually granted only when a mortgagor makes a satisfactory arrangement by which the arrears will be paid at a later date.
<b>force-placed insurance</b>	Required insurance coverage obtained by the lender on the borrower's behalf, which the borrower has allowed to lapse. The borrower is required to pay the premium. Also known as forced-order or lender-placed insurance.
<b>forcible entry and detainer (FED)</b>	A court action to obtain possession of premises by the person entitled to actual possession (also may be known as an eviction action).
<b>foreclosure</b>	A legal procedure in which a mortgaged property is sold to pay the outstanding debt in case of default.
<b>foreclosure initiation</b>	The date of the first legal action required by law to initiate foreclosure. Action varies by state.
<b>foreclosure sale</b>	A forced sale of mortgaged property at public auction conducted either by the court or in some other prescribed fashion, with the proceeds of the sale going to satisfy the debt. The lender is usually the successful bidder at the foreclosure sale.
<b>fraud</b>	A deception deliberately practiced to secure unfair or unlawful gain.

<b>Freddie Mac</b>	<p>A stock-holder-owned corporation established by Congress that supplies funds to mortgage lenders. Also considered a quasi-governmental secondary market organization, it offers various mortgage purchase and securitization programs to facilitate residential mortgages sponsored by the Veterans Administration and the Federal Housing Administration as well as residential mortgages that are not government protected.</p> <p>Mortgages funded by Freddie Mac must comply with their selling and servicing requirements. Formerly known as Federal Home Loan Mortgage Corporation (FHLMC).</p>
<b>FSLIC</b>	<p>See "Federal Savings &amp; Loan Insurance Corporation."</p>
<b>full-time student</b>	<p>A person who carries at least the minimum number of credit hours considered to be full-time by the college or vocational school in which the person is enrolled.</p>
<b>funded buydown</b>	<p>Using funds from the seller, lender or other interested third party to temporarily reduce the borrower’s monthly payment during the initial years of the loan.</p>
<b>future recovery</b>	<p>The recovery of additional funds to be applied to the REO account after the settlement of the original loss claim payment.</p>
<b>GAO</b>	<p>See "General Accounting Office."</p>
<b>Garn-St. Germain Act</b>	<p>In 1982, Congress passed the Garn-St. Germain Depository Institutions Act that provides that due-on-sale clauses are enforceable notwithstanding contrary state law. However, the act excludes from its coverage certain loans made during certain "window" periods when there may have been state law protection and exempts certain specified transfers. See “OGC's Compilation of Laws.”</p>
<b>General Accounting Office (GAO)</b>	<p>The audit, evaluation, and investigative arm of the United States Congress. GAO exists to support the Congress in meeting its Constitutional responsibilities and to help improve the performance and ensure the accountability of the Federal Government.</p>

<b>gift letter</b>	A letter certifying to the underwriter that funds in an applicant's account are truly a gift and need not be repaid.
<b>Ginnie Mae</b>	See "Government National Mortgage Association."
<b>GNMA</b>	See "Government National Mortgage Association."
<b>Government National Mortgage Association (GNMA)</b>	Also known as Ginnie Mae. A federal agency within the Department of Housing and Urban Development (HUD) that guarantees the timely payment of principal and interest for mortgage-backed securities backed by FHA-insured, RHS-guaranteed and VA-guaranteed mortgages.
<b>government sponsored enterprises (GSE)</b>	Privately held corporations with public purposes created by the U.S. Congress to reduce the cost of capital for certain borrowing sectors of the economy such as students, farmers, and homeowners. GSEs carry the implicit backing of the U.S. Government, but they are not direct obligations of the U.S. Government. Examples of GSEs include: Federal Home Loan Bank, Fannie Mae, Freddie Mac, Federal Farm Credit Bank, Resolution Funding Corporation and The Student Loan Marketing Association.
<b>guarantee</b>	Federal credit aid in which the federal government pledges its financial liability (full faith and credit) for loans made by private, State, or local government institutions
<b>guarantee fee</b>	The fee paid by the lender to the government for its guarantee. This is sometimes referred to as an insurance fee or upfront fee. The fee is calculated as a percentage of the principal loan amount and may be passed on to the borrower to be paid separately or included in the loan. See Chapter 16 of this Handbook.
<b>guaranteed loan</b>	A loan made, held, and serviced by a lender for which Rural Development has entered into a "Lender Agreement" with. See Chapter 3 of this Handbook
<b>Guaranteed Loan System (GLS)</b>	The present automated loan accounting system for RHS guaranteed rural housing loans
<b>Guaranteed Underwriting System (GUS)</b>	The automated system developed by Rural Development that allows lender's underwriters to review the eligibility of single family guaranteed rural housing loan applications for guarantees



<b>GUS</b>	See "Guaranteed Underwriting System."
<b>hazard</b>	A condition of the property that jeopardizes the health or safety of the occupants or members of the community, that does not necessarily make it unfit for habitation.
<b>hazard insurance</b>	Insurance coverage that provides compensation to the insured in case of property loss or damage.
<b>HCC</b>	See "Housing Counseling Clearinghouse
<b>highest and best use</b>	The use of land that will bring the greatest return.
<b>holder in due course</b>	A term that describes a person or other legal entity (such as a financial institution) that "holds" or owns a negotiable instrument (usually a check or promissory note) but is not the original payee of the instrument. As such, the "holder" may not be subject to some claims or defenses that might be raised against the original payee by the maker of the instrument (such as the borrower).
<b>Home Mortgage Disclosure Act (HMDA)</b>	This act requires all mortgage companies to report selected information to the federal government about each application received. HUD (U.S. Department of Housing and Urban Development) uses HMDA to detect discrimination and identify trends in lending patterns
<b>household</b>	All persons routinely living in the dwelling as principal residence, except for live-in aides, foster children, and foster adults.
<b>Housing Act of 1949, as amended</b>	The Act which provides the authority for the single-family housing programs. It is codified at 42 U.S.C. 1471, et seq.
<b>Housing Counseling Clearinghouse (HCC)</b>	A HUD-established service for financially distressed mortgagors to call (1-800-569-4287) for information on HUD-approved housing counseling agencies. Required by the HUD Act of 1968, lenders must notify all eligible delinquent borrowers of the availability of housing counseling for residential mortgage loans, whether conventional, government insured or government guaranteed, including loans, direct or insured, by federal, state, and local governmental agencies.

<b>housing finance agency (HFA)</b>	A State agency that is responsible for the financing of housing and the administration of certain subsidized housing programs.
<b>HUD</b>	The Department of Housing and Urban Development.
<b>HUD -1 Settlement Statement</b>	A loan closing document listing funds paid by the Buyer and Seller, the distributions of those funds, and the remaining cash that should go to the Seller. The settlement statement refers to the Buyer as the "Borrower" because the Buyer is the one taking out a real estate mortgage. This form was replaced with the "Closing Disclosure."
<b>inaccurate information</b>	Incorrect information inadvertently provided, used, or omitted without intent to obtain benefits for which the applicant was not eligible.
<b>income approach to value</b>	A method of estimating property value by capitalizing net property income
<b>income limits</b>	Family income limits established by law, based on family size and geographic location, for eligibility for certain government subsidized housing programs
<b>Indian reservation</b>	All land located within the limits of any Indian reservation under the jurisdiction of the United States notwithstanding the issuance of any patent and including rights-of-way running through the reservation; trust or restricted land located within the boundaries of a former reservation of a federally recognized Indian tribe in the State of Oklahoma; or all Indian allotments, the titles to which have not been extinguished if such allotments are subject to the jurisdiction of a federally recognized Indian tribe.
<b>individual retirement account (IRA)</b>	<p>A Traditional IRA is an account that allows you to defer taxes on your earnings until they are withdrawn. Contributions may be tax deductible in the year they are made if certain requirements are met.</p> <p>A Roth IRA is a nondeductible account that features tax-free withdrawals for certain distribution reasons after a five-year holding period. It allows your contributions and earnings to grow tax-free. Contributions may be withdrawn tax-free at any time.</p> <p>An Education IRA is a trust or custodial account created exclusively for paying the qualified higher education expenses of the Designated Beneficiary of the account. Use the IRA Calculator to determine how much you need to save a child's future education. See also "Keogh plan."</p>

<b>interest assistance</b>	Agency assistance available to eligible borrowers that reduces the effective interest rate on the guaranteed loan. Interest assistance applied to borrowers whose loans were approved as a subsidized guaranteed loan between April 17, 1991 and September 30, 1991 and who entered into interest assistance and shared equity agreements at loan closing.
<b>interest rate</b>	Percentage paid for the use of money, usually expressed as an annual percentage.
<b>interim financing</b>	Financing used from the beginning of a project to the closing of a permanent loan, usually a construction or development loan.
<b>investor</b>	Any person or institution that invests in mortgages or mortgage-backed securities. (18-3)
<b>joint tenancy</b>	Joint ownership by two or more persons giving each tenant equal interest and equal rights in the property, including the right of survivorship.
<b>judgment</b>	Final determination by a court of the rights and claims of the parties to an action.
<b>judicial foreclosure</b>	Type of foreclosure proceeding used in some states that is handled as a civil lawsuit and conducted entirely under the auspices of a court.
<b>junior lien</b>	Lien or claim against a property that is secondary or inferior to the lien of the first mortgage, e.g., a second mortgage.
<b>Keogh plan (HR 10)</b>	A form of tax-qualified retirement plan established by a non-incorporated business or self-employed individual. Investment contributions and appreciation are generally tax-deferred until actually received in the form of benefits. A self-employed retirement plans.
<b>land contract</b>	An agreement to transfer title to a property once the conditions of the contract have been fulfilled. Also known as a contract for deed.
<b>late charge</b>	An additional charge that a borrower is required to pay as a penalty for failure to pay a regular installment when due.
<b>law day</b>	(Connecticut Only) The last day for the mortgagor or other junior lien holder to redeem the foreclosing mortgagee's debt. If all the law days assigned pass without redemption, the foreclosing mortgagee will own the property and will record a certificate of foreclosure.

<b>leap day</b>	February 29 <sup>th</sup> or 2/29 which may be included as an additional day of loss claim interest accrual if the lender is using a 365-day interest accrual basis and includes leap day in interest accrual calculations.
<b>leasehold estates</b>	A kind of real estate ownership through which the property owner doesn't hold title to the property, but instead has use of the property subject to the terms of the lease.
<b>legal alien</b>	For the purposes of these programs, legal alien refers to any person lawfully admitted to the country who meets the criteria in Section 214 of the Housing and Community Development Act of 1980, as amended, 42 U.S.C. 1436a.
<b>lender</b>	<p>For Rural Development SFHGLP purposes, there are four main categories: submitting lender, originating lender, holding lender, and servicing lender.</p> <p>Submitting lender. A submitting lender is one that has not been approved as a participating lender in the GRH program. The FHA calls these lenders “correspondents” and in the industry they are also known as mortgage brokers. Brokers or correspondents may submit GRH loan packages, but the loans must be underwritten by an approved originating or participating lender.</p> <p>Originating lender (aka participating lender). This is a lender that has been approved as a participating lender in the GRH program. They are authorized to originate and close GRH loans. The FHA calls these “supervised lenders” (those regulated by a federal entity like the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), the National Credit Union Administration (NCUA), or the Federal Reserve Banks (FRB) and "un-supervised lenders" (those not regulated by a federal entity but still qualified to originate loans for FHA).</p> <p>Holding lender. A holding lender or holder is an approved lender that has originated or purchased GRH loans and “holds” or owns the promissory note. The holder is entitled to the income stream from the mortgage payments. The holder may service the loans they hold or own, or elect to sell the servicing rights to a servicing lender. The servicing lender pays the holder as mortgage payments are received or when foreclosed property has been sold.</p> <p>Servicing lender. A servicing lender or servicer does not originate loans, but purchases the servicing rights to them from a holder. A servicer receives and applies payments, administers tax and insurance escrows, deploys collection efforts against a delinquent borrower, and liquidates defaulted loans and acquired collateral. Depending upon the servicing contract, a servicing lender or the holder may ultimately submit the loss claim to the Agency. A servicing lender may or may not “hold” or own the note.</p>

<b>leveraged loan</b>	An affordable housing product loan or grant to a Section 502 direct Agency borrower property, closed simultaneously with an RHS loan. Affordable leveraged loans are characterized by long term (not less than 30 years), amortized payments with a note interest rate equal to or less than 3 percent
<b>lien</b>	A legal hold or claim of a creditor on the property of another as security for a debt. Liens are always against property, usually real property.
<b>lien stripping</b>	Used to describe the effect of certain provisions of the Bankruptcy Code which allow the debtor to avoid the unsecured portion of an under-secured claim when the under-secured claim is not secured solely by the debtor's principal residence. Also known as a "cram down."
<b>liquidation</b>	Liquidation of the loan occurs when the Lender acquires title to the security, a third party buys the property at the foreclosure sale, or the borrower sells the property to a third party to avoid or cure a default situation with the prior approval of the lender and RHS. In states providing a redemption period, the lender does not typically acquire title until after expiration of the redemption period.
<b>liquidation value</b>	<p>The most probable price which a specified interest in real property is likely to bring under all of the following conditions:</p> <ol style="list-style-type: none"> <li>(1) Consummation of a sale will occur within a severely limited future marketing period specified by the client.</li> <li>(2) Actual market conditions are those currently obtaining for the property interest appraised.</li> <li>(3) The buyer is acting prudently and knowledgeably.</li> <li>(4) The seller is under extreme compulsion to sell.</li> <li>(5) The buyer is typically motivated.</li> <li>(6) The buyer is acting in what he or she considers his or her best interests.</li> <li>(7) A limited marketing effort and time will be allowed for the completion of a sale.</li> <li>(8) Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.</li> <li>(9) The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.</li> </ol> <p>This definition can be modified to provide for valuation with specified financing terms.</p>

<b>lis pendens</b>	A notice filed on public record for the purposes of notifying all persons that a certain property is under litigation.
<b>litigation</b>	A legal action or process.
<b>live-in aide</b>	A person who: <ol style="list-style-type: none"> <li>(1) lives with an elderly person or a person with a disability, and</li> <li>(2) is essential to that person's care and well-being, and</li> <li>(3) is not obligated for the person's support, and</li> <li>(4) would not be living in the unit except to provide the support services.</li> </ol>
<b>LNG</b>	See "loan note guarantee."
<b>loan administration</b>	A mortgage banking function which includes the receipt of payments, customer service, escrow administration, investor accounting, collections, and foreclosures. Also called "servicing."
<b>loan approval official</b>	An Agency employee who has the authority to approve loans.
<b>Loan Estimate</b>	A form that provides a loan applicant with important information, including the estimated interest rate, monthly payment, and total closing costs for the loan being requested. The lender must provide the applicant with a Loan Estimate within three business days of receiving a complete application that identifies the property and loan amount requested.
<b>loan modification</b>	A written agreement that permanently changes an original note term, such as the interest rate, monthly payment, and/or the principal balance due to capitalization of interest or advances.
<b>loan note guarantee (LNG)</b>	Form RD 3555-17, "Loan Note Guarantee," is used by RHS to guarantee a loan made in accordance with applicable regulations with the full faith and credit of the United States. See Chapter 16 of this Handbook.
<b>loan origination</b>	The process by which a mortgage bankers or direct lender brings into being a mortgage secured by real property.

<b>loan origination system (LOS)</b>	A system used by lenders and mortgage brokers to originate loans and track their pipeline of loans in process. An LOS electronically captures loan data, prints forms, and transmits data to automated underwriting systems.
<b>LoanServ</b>	The mainframe-based computer application that is used by the Field Office to electronically communicate with, and transmit information to the Servicing Office, and by the Servicing Office to service and track a borrower’s loan.
<b>loan-to-value (LTV) ratio</b>	LTV ratio is the relationship between the amount to be financed and the market value of the security property.
<b>lockbox</b>	The service that receives and processes borrower payments.
<b>long arm statutes</b>	Laws that permit courts to acquire personal jurisdiction over non-residents by virtue of activity within the state.
<b>loss claim</b>	The method by which the Agency provides reimbursement to a lender who has fulfilled all program requirements but who has incurred a loss on a guaranteed loan.
<b>loss draft</b>	A payment from an insurance company to a borrower to cover the borrower’s adjusted losses due to damages covered under the insurance policy.
<b>loss mitigation</b>	A lender's efforts with a borrower to work out a delinquency or resolve a defaulted loan to maximize recovery and avoid foreclosure. May include extension of loan terms, forbearance, moratorium, modification, refinancing, short sale, or deed-in-lieu.
<b>low income</b>	An adjusted income limit developed in consultation with HUD under 42 U.S.C 1437a(b)(2)(D).
<b>maintenance costs</b>	Recurring fees associated with holding custodial or REO property. An example is yard maintenance and/or mowing.
<b>major hazard</b>	A condition so severe that it makes the property unfit for habitation. See also the definition of “hazard.”

<b>manufactured home</b>	A structure that is built to Federally Manufactured Home Construction and Safety Standard (FMHCSS) and Agency Thermal Performance Standards (TPS). It is transportable in one or more sections, which in the traveling mode is 10-body feet (3.048 meters) or more in width, and when erected on site is 400 or more square feet (37.16 square meters), and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities. It is designed and constructed for permanent occupancy by a single family and contains permanent eating, cooking, sleeping, and sanitary facilities. The plumbing, heating, and electrical systems are contained in the structure. A permanent foundation is required.
<b>mark to market</b>	The process whereby the book value or collateral value of the security is adjusted to reflect current market value.
<b>market approach to value</b>	In appraisal, a market value estimate of property based on actual prices paid in similar market transactions.
<b>market value</b>	The most probable price that a property should bring after reasonable exposure in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably. It is the value of the property as determined by a current appraisal made in accordance with the Uniform Standards of Professional Appraisal Practices.
<b>marketable title</b>	A title that is free from material defects and under which a purchaser may have quiet and peaceful enjoyment of the property subject to easements, covenants, and restrictions readily acceptable to a well-informed buyer. Also known as merchantable title.
<b>maturity</b>	The date on which a note or other negotiable instrument becomes due and payable.
<b>maximum allowable interest rate for extended-term loan modification</b>	The Agency may establish the maximum allowable interest rate in an extended-term loan modification by publishing a notice in the Federal Register describing how to calculate the maximum allowable interest rate. If the maximum allowable interest rate has not been established by notice in the Federal Register, the maximum allowable interest rate shall be 50 basis points greater than the most recent Freddie Mac Weekly Primary Mortgage Market Survey (PMMS) rate for 30-year fixed-rate mortgages (U.S. average), rounded to the nearest one-eighth of one percent (0.125%), as of the date the loan modification is executed. Weekly PMMS rates are published on the Freddie Mac website, and the Federal Reserve Board includes the average 30-year PMMS rate in the list of Selected Interest Rates that it publishes weekly in its Statistical Release H.15.



<b>MBA</b>	See "Mortgage Bankers Association."
<b>MCC</b>	See "mortgage credit certificate."
<b>mechanic's lien</b>	A claim created by law for the purpose of securing priority of payment for work performed and materials furnished by a mechanic or other person for the construction or repair of a building; such claim attaches to the land as well as buildings and improvements erected thereon.
<b>MERS</b>	See "Mortgage Electronic Registration System."
<b>metropolitan statistical area (MSA)</b>	MSA is a county or group of counties of 50,000 people or more, or "twin cities" with a combined population of at least 50,000. In addition to the county containing such a city, contiguous counties are included in a metro area according to commuting patterns. In New England States, metro areas consist of towns and cities instead of counties, otherwise the rules are similar.
<b>mineral lease</b>	A granting of rights to a third party to mine, drill or otherwise access oil, gas, or other valuable natural resources on a property.
<b>minority-owned business enterprise</b>	An enterprise that is more than 50% owned, controlled and operated by one or more members of one or more of the following groups: African American, Hispanic American, Native American, Asian-Pacific American, or Asian-Indian American.
<b>MIP</b>	See "mortgage insurance premium."
<b>mobile home</b>	A manufactured unit often referred to as a "trailer," designed to be used as a dwelling, but built prior to the enactment of Pub. L. 96-399 (October 8, 1980).
<b>moderate income</b>	The greater of: (1) 115 percent of the U.S. median family income, (2) the average of the state-wide and state non-metro median family income, (3) 115/80ths of the area low-income limit adjusted for household size for the county or MSA where the property is, or will be, located.
<b>modest housing</b>	For purposes of this part, "modest housing" is the housing that a low- or moderate-income borrower can afford based on their repayment ability. In addition, the property must not be designed for income producing activities.

<b>modular or panelized home</b>	Housing, constructed of one or more factory-built sections or panels which, when completed, meets or exceed the requirements of the recognized development standards (model building codes) for site-built housing, and which is designed to be permanently connected to a site-built foundation.
<b>moratorium</b>	Legal authorization to delay the enforcement of liability for debt or to suspend an activity.
<b>mortgage</b>	A formal document executed by an owner of property, pledging that property as security for payment of a debt or performance of some other obligation; the security instrument. See also “deed of trust.”
<b>mortgage-backed security (MBS)</b>	An investment instrument backed by mortgage loans as security. Ownership is evidenced by an undivided interest in a pool of mortgages or trust deeds. Income from the underlying mortgages is used to pay off the securities and provides a return on investment.
<b>mortgage banker</b>	A firm that conducts mortgage lending activities from its own funds. Newly formed mortgages are sold to investors in the secondary market, providing funds for subsequent lending.
<b>Mortgage Bankers Association (MBA)</b>	MBA is the primary trade association representing the real estate finance industry, representing their legislative and regulatory interests before Congress and federal agencies; meeting educational needs through programs, periodicals, and publications; and supporting their business interests with a variety of research initiatives and other products and services.
<b>mortgage broker</b>	An independent mortgage originator who is not an employee of a mortgage lender, bank, thrift, finance company or credit union.
<b>mortgage credit certificate (MCC)</b>	A special tax credit, issued by a state or local housing finance agency, to qualified first-time homebuyers that are used to enhance repayment ability.
<b>Mortgage Electronic Registration System, Inc. (MERS)</b>	A cooperative undertaking by and for the entire mortgage industry, the system is an electronic registry specifically created for tracking the ownership of individual mortgages, servicing rights and security interests and used by MERS members.

<b>mortgage insurance</b>	See private mortgage insurance
<b>mortgage insurance premium (MIP)</b>	The amount paid by a mortgagor for mortgage insurance either to FHA or a private mortgage insurance carrier.
<b>mortgage payment to income ratio</b>	This ratio is defined as the monthly mortgage payment (principal, interest, taxes, and insurance) divided by the borrower's gross monthly income.
<b>mortgage recovery advance</b>	<p>A mortgage recovery advance is funds advanced by the Lender on behalf of a borrower to satisfy the borrower's arrearage, pay legal fees and foreclosure costs related to a cancelled foreclosure action, and reduce principal. Upon request, RHS will reimburse the Lender for eligible mortgage recovery advances. The maximum mortgage recovery advance consists of the sum of:</p> <ol style="list-style-type: none"> <li>(1) arrearages not to exceed 12 months of principal, interest, taxes, and insurance;</li> <li>(2) legal fees and foreclosure costs related to a cancelled foreclosure action; and</li> <li>(3) principal reduction.</li> </ol> <p>The maximum mortgage recovery advance is 30 percent of the unpaid principal balance as of the date of default.</p>
<b>mortgaged premises</b>	The land and improvements thereon subject to the lien of a mortgage.
<b>mortgagee</b>	The lender in a mortgage transaction.
<b>mortgagee clause</b>	A clause that may be attached to an insurance policy stipulating that the lender will receive a portion of insurance proceeds sufficient to satisfy the unpaid amount of a loan in the event of a loss.
<b>mortgagor</b>	The borrower in a mortgage transaction who pledges property as a security for the debt.
<b>motion requesting relief from stay</b>	A pleading filed in a bankruptcy case wherein the creditor requests that its collateral be removed from the automatic stay imposed by the bankruptcy filing.
<b>motion to dismiss</b>	A formal request that the case be dismissed prior to the trial.

<b>motion to strike</b>	A formal request by either party for the court to order stricken from any pleading any insufficient defense, or any redundant, immaterial, impertinent, or scandalous matter.
<b>MSA</b>	See "Metropolitan Statistical Area."
<b>NAD</b>	See "National Appeals Division."
<b>NAHB</b>	See "National Association of Home Builders."
<b>NAR</b>	See "National Association of Realtors."
<b>National Appeals Division (NAD)</b>	The organization within the United States Department of Agriculture that is responsible for the Department's administrative appeals procedures which must be followed by participants who desire to appeal an adverse decision made by the Agency.
<b>National Credit Union Share Insurance Fund (NCUSIF)</b>	An NCUSIF-insured depository is a depository institution whose deposits are insured by the NCUSIF.
<b>NCUA</b>	See "National Credit Union Administration."
<b>National Office or National Headquarters</b>	The headquarters of the Agency located in Washington, DC where the Administrator's office and the national policy-making staff are located.
<b>negligent misrepresentation</b>	A failure of consideration or false representation which prevents a valid contract from ever being formed.
<b>negotiable instrument</b>	A document that meets the requirements set out in the Uniform Commercial Code (see UCC) Section 3-104. Specifically, it must be a writing signed by the maker or drawer; it must contain an unconditional promise or order to pay a sum certain in money; it must be payable on demand or at a definite time; it must be payable to the bearer or to order; and it must not contain any other promise, order, obligation, or power given by the maker or drawer except as authorized.

<b>net family assets</b>	The value of assets available to a household that could be used towards housing costs. Net family assets are considered in the calculation of annual income and are used to determine whether the household must make additional cash contributions to improve or purchase the property.
<b>net recovery value (NRV)</b>	The amount available to apply to the outstanding unpaid loan balance after considering the value of the security property and other amounts recovered, and deducting the costs associated with liquidation, acquisition, and sale of the property. Net recovery value is calculated differently depending on the type of disposition, as contained in Chapter 20 of this Handbook.
<b>net worth</b>	The value of all assets, including cash, less total liabilities. Often used as an underwriting guideline to indicate creditworthiness and financial strength.
<b>new dwelling</b>	A dwelling that is to be constructed, or is under construction, or existing dwelling that is less than one year old and has never been occupied.
<b>NOFA</b>	See "Notice of Fund Availability."
<b>non-judicial foreclosure</b>	A foreclosure which does not involve filing an action in a state court. A typical procedure involves notice to the interested parties (either by personal service or an alternate method such as publication) and sale of the property. The Court provides no overview of the process unless petitioned by the mortgagor.
<b>note</b>	A general term for any kind of paper or document signed by a borrower that is an acknowledgement of the debt, and is, by inference, a promise to pay. When the note is secured by a mortgage, it is called a "mortgage note" and the mortgagee is named as the payee.
<b>note rate</b>	See "promissory note rate."
<b>notice by publication</b>	The process of serving defendants who cannot be located through publication in the newspaper. Specific legislation controls whom and how a defendant can be served by such publication.
<b>Notice of Fund Availability (NOFA)</b>	A Federal Register public notice to inform potential applicants of federal funding authority.

<b>Office of Management and Budget (OMB)</b>	In the Executive Office of the President, OMB's mission is to assist the President in overseeing the preparation of the federal budget and to supervise its administration in Executive Branch agencies. In helping to formulate the President's spending plans, OMB evaluates the effectiveness of agency programs, policies, and procedures, assesses competing funding demands among agencies, and sets funding priorities. OMB ensures that agency reports, rules, testimony, and proposed legislation are consistent with the President's Budget and Administration policies.
<b>Office of the General Counsel (OGC)</b>	An independent legal agency within the U. S. Department of Agriculture (USDA). OGC provides legal advice and services to the Secretary of Agriculture and to all other officials and agencies of the Department with respect to all USDA programs and activities. All legal services are centralized within OGC and the General Counsel reports directly to the Secretary.
<b>Office of Inspector General (OIG)</b>	An agency legislatively established in 1978 with the enactment of the Inspector General Act (Public Law 95-452). The act requires the Inspector General to independently and objectively: <ul style="list-style-type: none"> <li>• Perform audits and investigations of the Department's programs and operations;</li> <li>• Work with the Department's management team in activities that promote economy, efficiency, and effectiveness or that prevent and detect fraud and abuse in programs and operations, both within USDA and in non-federal entities that receive USDA assistance;</li> <li>• Report OIG activities to the Secretary and the U.S. Congress semiannually as of March 31 and September 30 each year</li> </ul>
<b>OGC</b>	See "Office of the General Counsel."
<b>OIG</b>	See "Office of Inspector General."
<b>OMB</b>	See "Office of Management and Budget."
<b>origination fee</b>	The lender's fee charged a borrower to prepare documents, make credit checks, inspect and sometimes appraise a property. Usually stated as a percentage of the face value of the loan.

<b>other recovery</b>	The recovery (return of funds, refund, etc.) of funds not previously reported in the primary claim or report of REO sale. Examples may include a delayed payment on an insurance refund, collection of a deficiency judgment or similar proceeds recovered. See also “additional recovery.”
<b>partial release of security</b>	An action by the Agency under which it releases a portion of the security property from the security instrument.
<b>participant</b>	For the purpose of reviews and appeals, a participant is any individual or entity who has applied for or whose right to participate in or receive a payment, loan, or other benefit is affected by an Agency decision.
<b>payment assistance</b>	A payment subsidy available to eligible Section 502 direct borrowers that reduces the effective interest rate of a loan.
<b>payment shock</b>	A term representing the applicant’s projected increase in housing expenses.
<b>payment subsidy</b>	A general term for subsidies which reduce the borrower’s scheduled payment. It refers to either payment assistance method 1 or 2, or interest credit.
<b>person with a disability</b>	Any person who has a physical or mental impairment that substantially limits on or more major life activities, including functions such as caring for oneself, performing manual tasks, walking, seeing, hearing, speaking, breathing, learning, and working; has a record of such an impairment; or is regarded as having such an impairment.
<b>personal liability</b>	A situation in which an individual's personal assets can be reached to satisfy his or her debt.
<b>petition/complaint</b>	A formal written request filed with the court requesting that something specific be done.
<b>PITI ratio</b>	The amount paid by the borrower for principal, interest, taxes, and insurance, divided by repayment income.
<b>plaintiff</b>	A person or entity filing a lawsuit.

<p><b>planned unit development (PUD)</b></p>	<p>A single-family residence located in a community with association dues and other required monthly payments.</p> <p>Freddie Mac definition: A Planned Unit Development (PUD) is a development that has all of the following characteristics:</p> <ol style="list-style-type: none"> <li>(1) the individual unit owners own or have a leasehold interest in a parcel of land improved with a dwelling, not in common with other unit owners.</li> <li>(2) The development is administered by a homeowners association that owns or has a leasehold interest in and is obligated to maintain property and improvements within the development (e.g., greenbelts, recreation facilities, parking areas) for the common use and benefit of the unit owners.</li> <li>(3) The unit owners have an automatic, non-severable interest in the homeowners association and pay mandatory assessments.</li> </ol> <p>For the purpose of this definition, a condominium project is not a PUD.</p>
<p><b>plat or plot</b></p>	<p>A map showing subdivisions of a certain area of land giving proportions of each lot as well as other features such as roads, easements, etc.</p>
<p><b>pleadings</b></p>	<p>The formal allegations by the parties of their respective claims and defenses as presented to the court for a ruling.</p>
<p><b>PMI</b></p>	<p>See "private mortgage insurance."</p>
<p><b>points</b></p>	<p>The percentage deduction from the nominal amount of a discounted loan, often charged as a finder's fee. On a \$1,000 loan discounted 2 points, the borrower receives \$980. (1 point = 1 percent) See also "basis point."</p>
<p><b>pooling</b></p>	<p>When funds for a particular fiscal year are redistributed to each state based on the predetermined formula.</p>
<p><b>power of attorney (POA)</b></p>	<p>A written statement identifying a person as the agent for another with powers stated in the document. Full power may be granted, or the authority may be limited to certain functions, such as making deposits and withdrawals from a checking account. The statement must be executed before a notary and the signature of the agent is then placed on file with the bank</p>



<b>power of sale</b>	A provision in a mortgage which empowers a mortgagee, without resort to any judicial procedures, to sell property in event of default by the mortgagor and to apply the proceeds of the sale to satisfy the obligation, the costs of invoking the procedure, and the expenses of the sale.
<b>predatory lending</b>	Abusive practices in a segment of the mortgage lending market which may include inadequate or improper disclosure of interest rates and finance charges, prepayment penalties, credit life insurance, fraud, deception, etc.
<b>pre-foreclosure sale</b>	A procedure in which the borrower can sell his or her property in which the investor and borrower agree to accept the proceeds of the sale to satisfy a defaulted mortgage, even though this may be less than the amount owed on the mortgage, in order to avoid foreclosing on the property. See also “short sale.”
<b>preservation costs</b>	Costs associated with securing and preserving a custodial or REO property. Examples include changing locks, debris removal, and winterization.
<b>primary residence</b>	See “principal residence.”
<b>prime rate</b>	The interest rate which banks charge to their preferred customers. It tends to be the yardstick for general trends in interest rates.
<b>principal</b>	The amount of debt, exclusive of accrued interest, remaining on a loan. Before any principal has been repaid, the total loaned amount is the principal.
<b>principal residence</b>	The home physically occupied by the owner for the major portion of the year and the address of record for such activities as federal income tax reporting, voter registration, occupational licensing, etc.
<b>prior lien</b>	A lien against the security property, usually established by an earlier filing or recordation, but may be established by statute or agreement, that is superior to another lien.
<b>private mortgage insurance (PMI)</b>	Insurance written by a private company to protect the mortgage lender against a loss caused by a borrower's default on a mortgage loan.

<b>processing</b>	The preparation of a mortgage loan application and supporting documents.
<b>program-eligible applicant</b>	Any applicant meeting the eligibility requirements of the guaranteed program.
<b>program-eligible property</b>	A property that meets the requirements to be guaranteed under the guaranteed loan program.
<b>promissory note rate</b>	The mortgage rate that is stated on the promissory note. This is different from the interest assistance rate or subsidized rate.
<b>proof of claim</b>	An official signed statement filed in bankruptcy court by a creditor which sets forth the amount the debtor owed the creditor as of the date the bankruptcy was filed.
<b>property</b>	The land, dwelling, and related facilities, the Agency will use as collateral.
<b>property recovery firm</b>	A firm that may act as an agent to identify damages claimable under an insurance policy, file the claim & pursue its settlement.
<b>proration of taxes</b>	Proportionate and equal division of taxes relative to time and use.
<b>protective advance</b>	An advance of funds by a lender for an emergency expense necessary to preserve or protect the physical security for the loan. Escrow advances for hazard or force-placed insurance or real estate property taxes, or attorney fees property. For the purposes of loss claim filing, advances may be claimed under liquidation or REO pending.
<b>Public Housing Authority (PHA)</b>	A public agency created by a state or local government to finance or operate low-income housing.
<b>purchase agreement</b>	A written proposal by a buyer to purchase real estate that becomes binding upon the acceptance of the seller.

<p><b>qualified alien</b></p>	<p>Under Section 401 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) (8 U.S.C. 1641) a qualified alien is defined as:</p> <ol style="list-style-type: none"> <li>(1) an alien who is lawfully admitted for permanent residence under the Immigration and Nationality Act;</li> <li>(2) an alien who is granted asylum under section 208 of such Act;</li> <li>(3) a refugee who is admitted to the United States under section 207 of such Act;</li> <li>(4) an alien who is paroled into the United States under section 212(d)(5) of such Act for a period of at least 1 year;</li> <li>(5) an alien whose deportation is being withheld under section 243(h) of such Act;</li> <li>(6) an alien who is granted conditional entry pursuant to section 203(a)(7) of such Act as in effect prior to April 1, 1980;</li> <li>(7) an alien who has been battered or subject to extreme cruelty under the conditions set forth in section 431 of such Act (8 U.S.C. 1641(c)); or</li> <li>(8) an alien who is a Cuban/Haitian Entrant as defined by Section 501(e) of the Refugee Education Assistance Act of 1980.</li> <li>(9) Native Americans born in Canada may also be eligible as lawfully admitted for permanent residence under 7 CFR 3555, Section 3555.151. They might not possess any of the documentation described above, and the Agency might not be able to verify their status through Systematic Alien Verification for Entitlements Program. To establish that they are a qualified alien, the Native American should provide <b>all</b> documentation listed below, as described in the Wabanaki Legal News. The Wabanaki Legal News is available on the internet at <a href="http://www.ptla.org/wabanaki/jaytreaty.htm">http://www.ptla.org/wabanaki/jaytreaty.htm</a>.             <ul style="list-style-type: none"> <li>• A letter from their Native American tribe stating that the alien has at least 50 percent Native American or Aboriginal blood (also referred to as the blood quantum);</li> <li>• Their Canadian “Certificate of Indian Status Card” with a red stripe along the top;</li> <li>• Their birth certificate;</li> <li>• If an Haudenosaunee, their Red I.D. Card;</li> <li>• If an Inuit, an Inuit enrollment card from one of the regional Inuit lands claim agreements;</li> <li>• Their Social Security Card issued by the U.S. Social Security Administration; and</li> <li>• Their Canadian or U.S. driver license.</li> </ul> </li> </ol>
<p><b>qualifying income</b></p>	<p>Adjusted annual income compared to established income limits to determine eligibility for participation in the program.</p>
<p><b>quality control plan</b></p>	<p>A system of internal controls that sets standards, measures performance, and determines compliance with legal, agency and investor requirements to provide management with an opportunity to examine, and if necessary, adjust its policies and procedures</p>

<b>quick-sale market value</b>	See "market value."
<b>quitclaim deed</b>	A deed relinquishing all interest, title, or claim in a property by a grantor, but not representing that such title is valid, nor containing any warranty or covenants for title.
<b>ratification of bankruptcy plan</b>	See "confirmation of bankruptcy plan."
<b>real estate</b>	Physical land and appurtenances attached to the land, e.g., structures. An identified parcel or tract of land, including improvements. See also "real property."
<b>real estate owned (REO)</b>	Property that formerly served as security for a guaranteed loan and for which the lender holds title.
<b>Real Estate Settlement Procedures Act (RESPA)</b>	A federal statute and regulation promulgated by HUD governing real estate lending practices and disclosures. Its main features pertain to the provision of a good faith estimate of loan settlement costs and the provision of the HUD settlement cost booklet within three days of making a loan application.
<b>real estate taxes</b>	Taxes and the annual portion of assessments on property due and payable to government entities. The taxes are based on relative value of the property, reduced by any available tax exemption.
<b>real property</b>	All interests, benefits, and rights inherent in the ownership of physical real estate; the bundle of rights with which the ownership of the real estate is endowed. In some states, real property is defined by statute and is synonymous with "real estate. See also "real estate."
<b>reamortization</b>	The establishment of a new, revised schedule of equal monthly payments of principal and interest over the remaining term of a mortgage loan.
<b>reamortization agreement</b>	An instrument executed by the borrower which may establish the permanent loan in a construction-to-permanent loan type. Agreement could also be known as a modification agreement.
<b>recapture amount</b>	An amount of subsidy to be repaid by the borrower upon disposition or non-occupancy of the property.

<b>redeem</b>	The act of paying off a mortgage debt during a foreclosure suit to rid the property of that encumbrance.
<b>redemption right</b>	See "right of redemption."
<b>redlining</b>	The practice by lending institutions of restricting or denying mortgage loans for certain areas.
<b>referral fees</b>	A portion of the commission paid to some servicers in return for referring properties to a certain broker. Referral fees from the broker, returning a portion of the commission to the servicer are to be treated as "other recovery."
<b>refinancing</b>	The repayment of a debt from the proceeds of a new loan using the same property as security.
<b>regional attorney</b>	See "Office of General Counsel."
<b>reinstatement</b>	The curing of all defaults by a borrower; the restoration of a loan to current status through payment of all amounts past due including reasonable fees and costs incurred as a result of a default on a loan.
<b>release of liability</b>	Agreement in which a lender terminates the personal obligation of a mortgagor for the payment of a debt.
<b>relief from automatic stay</b>	A legal action permitting a lender to resume action to collect on the debt. See "automatic stay".
<b>REO</b>	See "real estate owned."
<b>REO cost factor</b>	A percentage which, when applied to a property appraised value, is intended to result in an estimate of the total cost of gaining possession, managing, and disposing of an acquired property. It is published in the Federal Register by VA and it represents the 3-year average VA operating expenses incurred for acquired properties, including property taxes, assessments, liens, property maintenance, property improvement, administration, and resale. For the purposes of this estimate, property improvement is defined as any repair that must be completed to satisfy minimum property requirements for existing construction. Selling expenses include sale commissions plus any other costs incurred in connection with the sale of the property. See Chapter 20 of this Handbook.

<b>repayment income</b>	Used to determine whether an applicant can make monthly loan payments. Repayment income is based only on the income attributable to parties to the note and includes some income sources excluded for the purpose of adjusted income.
<b>repayment period</b>	The term of the loan, which must be 30 years, and fully amortized in that period.
<b>Resolution Trust Corporation (RTC)</b>	An arm of the FDIC responsible for managing and resolving the affairs of insolvent savings and loan associations placed into receivership by the FDIC. This includes the liquidation, operation, and sale of thrift institutions.
<b>RESPA</b>	See "Real Estate Settlement Procedures Act."
<b>right of redemption</b>	In some states, a right permitting the mortgagor to reclaim foreclosed property by making full payment of the foreclosure sales price. The right of redemption exists for a specified period of time, called the "redemption period." State statutes may provide for a waiver of redemption rights or an REO sale subject to redemption rights.
<b>right of way</b>	See "easement."
<b>rural area</b>	<ul style="list-style-type: none"> <li>• Open country or any town, village, city, or place, including the immediate adjacent densely settled area, which is not part of or associated with an urban area and which: <ul style="list-style-type: none"> <li>○ Has a population not in excess of 2,500 inhabitants; or</li> <li>○ Has a population in excess of 2,500 but not in excess of 10,000 if it is rural in character; or</li> <li>○ Has a population in excess of 10,000 but not in excess of 20,000, and- <ul style="list-style-type: none"> <li>▪ Is not contained within a Metropolitan Statistical Area (MSA); and</li> <li>▪ Has a serious lack of mortgage credit for lower and moderate-income families as determined by the Secretary of Agriculture and the Secretary of Housing and Urban Development.</li> </ul> </li> </ul> </li> <li>• Any area classified as "rural" or a "rural area" prior to October 1, 1990, and determined not to be "rural" or a "rural area" as a result of data received from or after the 1990, 2000, or 2010 decennial census, and any area deemed to be a "rural area" at any time during the period beginning January 1, 2000, and ending December 31, 2010, shall continue to be so classified until the receipt of data from the decennial census in the year 2020, if such area has a population in excess of 10,000 but not in excess of 35,000, is rural in character, and has a serious lack of mortgage credit for lower and moderate income families.</li> </ul>

<b>SAIF</b>	See "Savings Association Insurance Fund."
<b>sales expenses</b>	Various fees paid by the seller at the time of real estate closing. See "closing costs." Sales expense represents the total reduction due seller from the Closing Disclosure.
<b>sales price</b>	Amount REO property sold to third party. See contract price from Closing Disclosure.
<b>satisfaction of mortgage</b>	The recorded instrument the lender provides to evidence payment in full of the mortgage debt.
<b>savings and loan association</b>	Associations founded to promote thrift and home ownership. Their deposits have been traditionally invested in residential mortgage loans although they now have broader lending powers.
<b>Savings Association Insurance Fund (SAIF)</b>	The successor to the Federal Savings and Loan Insurance Corporation (FSLIC) insurance fund.
<b>scheduled payment</b>	The monthly or annual installment on a promissory note plus escrow (if required), as modified by any payment subsidy agreement, delinquency workout agreement, other documented agreements between the Agency and the borrower, or protective advances.
<b>scorecard</b>	A scorecard is an analytical tool used to predict the likelihood of borrower default. A scorecard is a mathematical algorithm that incorporates variables that predict borrower behavior. A scorecard is the central analytic element in an automated underwriting system.
<b>scorecard data</b>	The financial data and history of applicant/borrowers which enables the scorecard to run its algorithms against the applicant/borrower information and give the applicant/borrower a score predicting the applicant/borrower loan performance should credit be granted. The scorecard algorithm is based on statistic, actual and historic loan performance by thousands of borrower profiles on record with the scorecard vendor.

<b>scorecard vendor</b>	An entity that applies statistical models to historical records to develop algorithms which, when applied against individual applicant/borrower information, predicts future loan performance by generating a score. The pioneer of scorecards and recognized industry leader is Fair Isaac and Company. See “FICO.”
<b>second mortgage</b>	A mortgage that has rights subordinate to a first mortgage.
<b>secondary mortgage marketing</b>	A process whereby lenders and investors buy and sell existing mortgages or mortgage-backed securities, thereby providing greater availability of funds for additional mortgage lending by banks, mortgage bankers and savings institutions.
<b>secured loan</b>	A loan that is collateralized by property so that in the event of a default on the loan, the property may be sold to satisfy the debt. See also “unsecured loan.”
<b>securitization</b>	The process of pooling loans into mortgage-backed securities for sale into the secondary mortgage market.
<b>security instrument</b>	The mortgage or deed of trust evidencing the pledge of real estate security - as distinguished from the note or other credit instrument.
<b>security property</b>	The property that serves as collateral for a loan.
<b>seller concessions</b>	Contributions made by a seller to offset the buyer’s cost. See “concessions”.
<b>service of process</b>	The delivery of writs, summonses, etc. to the party to whom or with whom they ought to be delivered or left.
<b>servicing</b>	Collection of payments and operational procedures related to a mortgage. Same as loan administration.
<b>Servicing Office</b>	Formerly known as the Customer Service Center. The Agency branch located in St. Louis, Missouri, that is responsible for servicing Section 502 and 504 loans
<b>settlement date</b>	The settlement date is the later of the following: (1) actual foreclosure date. (2) the closing date, if sold to a third party at the foreclosure sale; (3) the date the borrower sells the property to a third party to avoid or cure a default situation, with prior approval of the lender; and (4) when title is acquired to the security following the expiration of any state-required redemption or confirmation period.



<b>Settlement Statement</b>	Form HUD-1. See also "RESPA" and "Closing Disclosure."
<b>sheriff's sale</b>	The public auction at which the property being foreclosed is offered for sale.
<b>short sale</b>	A type of voluntary liquidation (also referred to as a pre-foreclosure sale or short payoff) where a borrower and the lender who holds the mortgage on the property agree to sell the property at fair market value, but for less than the current outstanding debt (including any missing payments, late fees, penalties, and advances for taxes and the like).
<b>Soldiers and Sailors Civil Relief Act of 1940 (SSCRA)</b>	With certain exceptions, this act prohibits foreclosure of property owned by those in military service. See "OGC Compilation of Laws."
<b>special defense</b>	Facts which are consistent with the allegations of the plaintiff's complaint but show, notwithstanding, that the plaintiff has no cause of action. Some examples of special defenses in collection and foreclosure cases are payment, improper acceleration of the loan, statute of limitations and anything that would attack the making, validity, or enforcement, of the note and mortgage.
<b>special flood hazard area (SFHA)</b>	An area having special flood, mudslide and/or flood related erosion hazards as shown on Federal Emergency Management Agency (FEMA) floodplain maps.
<b>State Director</b>	The highest Agency decision making official at the State level.
<b>State supplement</b>	Additional guidance provided by the State Director when state, local or tribal laws affect how Agency requirements are implemented in a particular state.
<b>statute of limitations</b>	State law identifying the time limit within which a lawsuit can be brought under law.
<b>statutory law</b>	Law created by legislative enactment.
<b>stay</b>	An order of the court whereby some action is forbidden until some event occurs or until the court lifts its order.
<b>straw buyer</b>	An individual who buys property in another's behalf to conceal the identity of the real buyer.

<b>strict foreclosure</b>	A type of foreclosure proceeding used in some states in which title to the foreclosed property is invested directly in the mortgagee by court decree, without holding a foreclosure sale.
<b>subdivision</b>	A tract of land that is split into lots.
<b>subordination</b>	Moving a lien position to a lower priority.
<b>subordination clause</b>	A clause in a junior lien acknowledging the prior claim of a higher loan, as in a second-mortgage loan contract legally acknowledging the prior claim of the first mortgage; also describes an agreement contained in purchase-money mortgage for land by which the purchase-money mortgage can be subordinated to a first mortgage to finance bona fide improvements.
<b>subsequent loans</b>	Additional Agency credit that is extended to an existing program borrower.
<b>subsidy</b>	Interest credit, payment assistance, or deferred mortgage assistance received by a borrower under the Section 502 direct program.
<b>subsidy cost (rate)</b>	The estimated long-term cost to the Government of a loan, calculated on a net present value basis, excluding administrative costs. A rate would be based on the portion of cost per \$100 of loan.
<b>subsidy repayment agreement</b>	An agreement under which a borrower agrees to repay to the Agency any subsidy received under the Section 502 direct program upon disposition or non-occupancy of the security property.
<b>summary judgment</b>	A judgment obtained upon motion by any party on a claim, counterclaim, or cross claim when there is no genuine issue of material fact that would prevail as a matter of law. The motion may be directed toward all or part of the claim or defense and may be made based on the pleadings or other portions of the record in the case or it may be supported by affidavit and a variety of outside material.
<b>summons</b>	A notice to a party in a lawsuit requiring said party to appear in court or have a judgment rendered against him for failing to do so.
<b>survey</b>	Measurement of a specific parcel of land to ascertain area, corners, boundaries, and divisions with distances and directions of such parcel.

<b>sweat equity</b>	Equity created through the performance of service or labor on a property by its intended owner.
<b>tenants in common</b>	Joint ownership by two or more persons holding individual but not necessarily equal interest in a property, but without the right of survivorship.
<b>tenancy by entirety</b>	A form of title vesting the entire estate in husband and wife with right of survivorship.
<b>term</b>	The period of time between the commencement date and the termination date of a note, mortgage, legal document, or other contract.
<b>third party originator (TPO)</b>	Mortgage broker or correspondent.
<b>Three Repository Merged Credit Report (TRMCR)</b>	Reports from three selected repositories, for example, Equifax, Experian, and Trans Union, are pulled to form a merged report. There is no duplication on the merged report. Every inquiry and public record contained in any of the selected repositories will appear only once on the merged report.
<b>title insurance</b>	Insurance through a title company to protect a property owner or lender from loss if title proves imperfect.
<b>total debt ratio (TD) to income ratio</b>	Defined as the borrower's monthly mortgage payment plus all recurring monthly debt divided by the borrower's gross monthly income.
<b>TPO</b>	See "third party originator."
<b>trading partner</b>	Any company, government department, or commercial or noncommercial entity with which an organization regularly exchanges documents of formatted data (not just letters or memos). For a more comprehensive glossary of EDI terms and acronyms, see the EDI Implementation Guide at <a href="http://www.rdinit.usda.gov/regs/handbook/edi.pdf">http://www.rdinit.usda.gov/regs/handbook/edi.pdf</a>
<b>transfer and assumption</b>	A transfer of a property securing a guaranteed loan with an assumption of the outstanding debt to a 3 <sup>rd</sup> party. See "assumption."
<b>tribal allotted land</b>	Tribal land allotted to individual tribal members which is held in trust.

<b>tribe</b>	Any federally recognized tribe, band, pueblo, group, community, or nation of Indians or Alaska natives.
<b>trust deed</b>	See "deed of trust."
<b>trust land</b>	Land held in trust by the United States on behalf of an Indian tribe.
<b>Truth in Lending Act (TILA)</b>	A federal law which requires that a person applying for credit be given understandable information about interest rates.
<b>unauthorized assistance</b>	Any guaranteed loan or interest assistance for which there was no regulatory authorization or for which the borrower was not eligible.
<b>underwriting</b>	In mortgage banking, the analysis of the risk involved in making a mortgage loan to determine whether the risk is acceptable to the lender. Underwriting involves the evaluation of the property as outlined in the appraisal report and of the borrower's ability and willingness to repay the loan.
<b>underwriting engine (UE)</b>	The communication link between transaction participants. It is the knowledge-based component of an automated underwriting system. A UE retrieves data from a variety of sources, routes data through the scorecard, analyses the loan data and applies it against loan program rules and requirements. The UE works in conjunction with the scorecard to determine program eligibility and to predict loan performance.
<b>Uniform Commercial Code (UCC)</b>	The laws that govern various commercial transactions.
<b>Uniform Consumer Credit (U-CCC)</b>	A guide that states may or may not use to further simplify the understanding of all aspects of credit and credit transactions.
<b>Uniform Residential Appraisal Report (URAR)</b>	The most common appraisal form in use. The URAR is used to document the methods used to determine the market value of single-family residences and planned unit developments.
<b>Uniform Standards of Professional Appraisal Practice (USPAP)</b>	Minimum standards for real estate appraisal that financial institutions must follow.

<b>United States (U.S.) citizen</b>	An individual who resides as a U.S. citizen in any of the 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Marinas, the Federated States of Micronesia, the Republic of Palau, or the Republic of the Marshall Islands.
<b>U.S. non-citizen national</b>	A person born in American Samoa or Swains Island on or after the date the U.S. acquired American Samoa or Swains Island, or a person whose parents are U.S. non-citizen nationals.
<b>usury</b>	Taking or contracting for a rate of interest greater than permitted by law for a loan.
<b>VA</b>	See “Department of Veteran Affairs “
<b>valuation</b>	The process of estimating the market value, insurable value, investment value, or some other properly defined value of an identified interest in a specified parcel of real estate as of a given date. Valuation is a term used interchangeably with appraisal.
<b>venue</b>	The particular county or geographical area, in which a court with jurisdiction may hear and determine a case.
<b>verification of deposit (VOD)</b>	A form that requests and secures verifications of amounts on deposit at financial institutions. When a depository institution is also the applicant's creditor, the VOD verifies the obligation.
<b>verification of employment (VOE)</b>	A form that requests and secures documentation of a mortgage applicant's work history and/or occupation, to assist in the lender's credit investigation.
<b>very low income</b>	An adjusted income limit developed in consultation with HUD under 42 U.S.C 1437a(b)(2)(D).
<b>Veterans Benefits Administration</b>	Within the Department of Veterans Affairs (VA), the Veterans Benefits Administration through the VA Loan Guaranty Service administers the VA Loan Guaranty Program.

<b>veteran's preference</b>	<p>A preference extended to any person applying for a loan or grant under the Section 502 or Section 504 programs who was honorably discharged or released on conditions other than dishonorable conduct from the active forces of the United States Army, Navy, Air Force, Marine Corps, or Coast Guard and who served in active duty during one of the following periods:</p> <ol style="list-style-type: none"> <li>(1) April 6, 1917 through March 31, 1921;</li> <li>(2) December 7, 1941 through December 31, 1946;</li> <li>(3) June 27, 1950 through January 31, 1955;</li> <li>(4) A period of more than 180 days, any part of which occurred after January 31, 1955, but on or before May 7, 1975; or</li> <li>(5) During the period beginning August 2, 1990, and ending the date prescribed by Presidential Proclamation or law.</li> <li>(6) During any other period as described by Presidential proclamation or law.</li> </ol>
<b>warranty deed</b>	Deed in which a grantor warrants the status of the title.
<b>writ of assistance</b>	A court order directed to the sheriff (or other local official) ordering him to "assist" a party to a pending lawsuit (such as a bank in an eviction action) in obtaining the relief previously granted to the party by the court. An example would be a sheriff assisting a foreclosure sale purchaser in taking possession of the property after foreclosure.
<b>writ of execution</b>	An order of the court in which a party is granted authority to seize assets of the defendant to satisfy its judgment
<b>workout agreement</b>	A plan to correct a delinquent or defaulted mortgage. See also "forbearance," "loss mitigation."
<b>ZIP code</b>	Zone Improvement Program.
<b>zoning</b>	Prescription by governmental entity of the purpose to which land or buildings may be put in specific areas, and of the architectural, structural, and/or spatial elements of such land or buildings.

**Sources:**

7 CFR 3555  
 Dictionary of Banking and Financial Services  
 The Dictionary of Real Estate Appraisal, Appraisal Institute  
 Handbook of Mortgage Lending, Editor: Jess Lederman  
 Housing and Development Reporter  
 Senate Budget Committee Glossary of Budget Terms  
 Real Estate Problem Loans, Myers, T.A. & Co.  
 US Foreclosure Network

**Online Resources:**

[www.fanniemae.com](http://www.fanniemae.com)  
[www.hud.gov](http://www.hud.gov)  
[www.whitehouse.gov/OMB](http://www.whitehouse.gov/OMB)  
[www.usfnorg](http://www.usfnorg)  
[www.myFICO.com](http://www.myFICO.com)  
[www.investopedia.com](http://www.investopedia.com)  
[www.fcsamerica.com](http://www.fcsamerica.com)