

## Term

Acceleration Clause	The Borrower has to pay off the entire remainder of the mortgage immediately if the terms of the loan are not met or the Borrower defaults on the payments. This clause is fairly standard in mortgages and Referenced in the Real Estate Purchase Contract.
Adjustable Rate Mortgage (ARM)	is a type of mortgage in which the interest rate applied on the outstanding balance varies throughout the life of the loan. Normally, the initial interest rate is fixed for a period of time, after which it resets periodically, often every year or even monthly
Amortization	Amortization is the gradual reduction of a debt over a given period
Assumption Clause	Loans are typically non-assumable. The real estate purchase contract does have a paragraph talking about whether the REPC is assumable. Qualified assumptions are the most common. The Lender would have to approve it. These are seen commonly in FHA and VA loans. This is a provision in a mortgage contract which allows the seller of a home to pass responsibility for the existing mortgage on to the buyer of the property
Fully Amortized Loan	The amortized payments do pay off the loan over that set amount of time. (Commonly 30 years for a mortgage).
Negatively Amortized Loan	The monthly payment is not reducing the principal amount borrowed. It is paying the interest only. Therefore interest accrues upon interest and the principal is still there. Instead of paying the amount down, the balance grows because of compound interest. It is important to know what exactly what this type of loan is and how to get out of it.
Partially Amortized Loan	is a special type of liability or obligation that involves partial amortization during the loan term and a balloon payment on the loan maturity date.
Pre- Payment Clause	As a Borrower you would like the right to pay off your loan at any time if you had the ability to do so. Typically seller financing will not allow a pre-payment until a certain point – this is because they are wanting to make a certain amount of money from financing.
Pre- Payment Clause	Prepayment penalties were very common in the early 2000s. Fees were imposed if a loan was paid off early. Prepayment penalties are not very common in today's real estate.
Reconveyance Clause	As a loan is paid off and the property transitions from one party to another, the Lender would then sign a reconveyance so the property is free of encumbrance and can be transferred over to the new owner. The new loan is then put in place as the primary encumbrance on the property.
Repayment Types	Term or Straight, Amortized (Fully Amortized, Partially Amortized, or Negatively Amortized)
Subordination Clause	Putting the primary interest into a secondary position. An agreement which states that the current claim on any debts will take priority over any other claims formed in other agreements made in the future
Term or Straight Loan	Loan for a given period of time. Set payments, set interest rate. Also known as RNT (Rate and Term).

## Concept

5 Key Clauses	Acceleration Clause, Reconveyance Clause, Assumption Clause , Pre-Payment Clause, and Subordination Clause.
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Dates of Recordings are Important	Ex. Borrower has first and second mortgage and they want to refinance the first because interest rates have dropped. If the Borrower pays that off, the junior lien is now in first position. As a Lender, we would send out a Subordination Agreement to the second mortgage lienholder making sure they are fine with staying in the second position so the new first mortgage can take the place as the first lien. The Lender will not issue the mortgage without the subordination.
Example of Assumption Clause	Buyer puts an offer on a property and the Seller agrees to it, then the Buyer wants to assign the interest over to another party to assume the Buyer's position— someone taking over the terms and conditions of my loan.
Example of Negatively Amortized Loan	This occurs whenever the loan payment for any period is less than the interest charged over that period so that the outstanding balance of the loan increases.