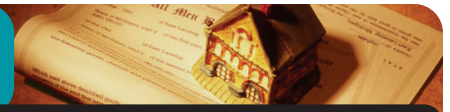


# Foreclosure & Short Sale

## GLOSSARY OF TERMS



**APR (Annual Percentage Rate):** Annual Percentage Rate (APR) is a way to compare the costs of a loan. Although it's not perfect, it gives you a nice standard for comparing the percentage costs on different loans. This page covers the basics of APR, and how you can calculate it.

**Appraisal:** A valuation or an estimation of value of property by disinterested persons of suitable qualifications; the process of ascertaining a value of an asset or liability that involves expert opinion rather than explicit market transactions.

**Adjustable-Rate Mortgage (ARM):** A mortgage loan with an interest rate that can change at any time, usually in response to the market or Treasury Bill rates. These types of loans usually start off with a lower interest rate comparable to a fixed-rate mortgage.

**Bid:** The amount for a foreclosed property for sale at auction.

**Certificate of Sale:** A document issued to the winning bidder at a foreclosure sale stating their rights to the property once the borrowers redemption period has expired.

**Credit Bid:** A bid on behalf of the lender at a foreclosure sale. The bid amount must be less than or equal to the balance of the loan in default.

**Decree:** A judicial decision.

**Deed:** A signed document that shows ownership in property and allows the transfer ownership of property from one party to another.

**Default:** The failure to make payments in full, on time or at all or to live up to any other obligations placed on the borrower by the loan agreement.

**Deficiency Judgment:** A judgment entered in a lawsuit when a property is sold for less than the amount of the loan.

**Delinquency:** A condition when the payment is being late but not yet in default.

**Encumbrance:** Anything, such as a mortgage, tax, or judgment lien, an easement, a restriction on the use of the land or an outstanding dower right that may diminish the value or use and enjoyment of a property.

**Fair Market Value:** The amount at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the relevant facts.

**FHA:** Stands for Federal Housing Administration. It's a branch of H.U.D. It's basic function is to direct housing in a way that Congress mandates by issuing mortgage insurance to institutional lenders on the loans they make. With such loan insurance, lenders are willing to lend with smaller down payments and at lower rates of interest.

**Foreclosure:** A legal procedure whereby property used as security for a debt is sold to satisfy the debt in the event of default in payment of the mortgage note or default of other terms in the mortgage document. The foreclosure procedure brings the rights of all parties to a conclusion and passes the title in the mortgaged property to either the holder of the mortgage or a third party who may purchase the realty at the foreclosure sale, free of all encumbrances affecting the property subsequent to the mortgage.

**Grace Period:** A period of days during which a debtor may cure a delinquency without penalty (before triggering a late charge, a foreclosure or an acceleration of the balance due).

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

**HUD 1 Statement:** A form, usually given by a bank, that includes the costs of purchasing a home.

**Judgment:** The final decision of the court resolving the dispute and determining the rights and obligations of the parties.

**Judicial Foreclosure:** A foreclosure that is processed by a court action.

**Lien:** A claim or charge on a property for payment of some debt, obligation or duty.

**Lis Pendens:** A term meaning "legal action pending" that gives notice of an action or proceeding affecting the title of the property.

**Loss Mitigation Department:** A department which helps homeowners avoid foreclosure; the lender tries to help a borrower who has been unable to make loan payments and is in danger of defaulting on his or her loan.

**Mortgage Insurance:** Insurance protecting a lender against loss from a mortgagor's default. Issued by the FHA or a private mortgage insurer.

**Non-judicial Foreclosure:** Non-judicial foreclosure is when a power of sale clause exists in a mortgage or deed of trust. A "power of sale" clause is the clause in a deed of trust or mortgage, in which the borrower pre-authorizes the sale of property to pay off the balance on a loan in the event of their default.

**Notice of Default (NOD):** A notice that is sent out by the lender when a mortgage payment is late in an attempt to cure or make the loan current.

**Notice of Trustee Sale:** A notice giving specific information about the loan in default and the proceedings about to take place. This notice must be recorded with the county where property is located and advertised as stated in the security document or as dictated by state law.

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

**Pre-Foreclosure:** Term used to discuss delinquent properties before they go to the foreclosure auction.

**Posting:** To publish, announce or advertise by physically attaching a notice to an object.

**Real Estate Owned (REO):** Property acquired back by the lender after it has gone to auction.

**Right of Redemption:** A borrower's right to reacquire property lost due to a foreclosure. This right allows the owner to recover property lost to a foreclosure judgment, or sold after a foreclosure sale, within a certain period of time. The redemption period varies among the states.

**Short Sale:** A sale where the lender will agree to accept less than the full amount of the mortgage. This allows you to sell the house to an investor or other buyer for a good price, while the lender recovers the bulk of the amount due without having to pursue foreclosure proceedings.

**Title Insurance:** An insurance policy that provides protection for lenders and buyers against any losses caused by defects in the title.

**Trustee:** A neutral party who advertises the foreclosure property for sale and conducts the auction to sell said property to the highest bidder.

**Trustee Sale (Sheriff Sale):** An auction of real property conducted by a trustee. Also known as a Sheriff's Sale.