# Class 2 – Key Terms

Cash sale –

Financing –

**Promissory Note** – A document which serves as evidence that debt exists between a borrower and a lender and usually contains the terms under which the loan must be repaid and the rights and responsibilities of both parties.

**Amount** – Generally the face amount of the note, which is usually advanced in total when the loan agreement is executed.

**Interest Rate** – This could be a fixed rate of interest or an adjustable rate.

**Maturity** – At which time all remaining amounts due under the terms of the loan are to be repaid.

**Terms of Payment** – The dollar amount, due dates, and number of payments to be made by the borrower.

**Application of Payments** – Usually are made first to cover any late charges/fees/penalties, then to interest, and then to principal reduction.

**Default** – Occurs when a borrower fails to perform one or more duties under the terms of the note.

**Late Fees** – Specifies any grace periods during which late payments can be made up (usually with penalties) without the lender declaring that the borrower is in default (forbearance period).

**Prepayment** – Allows the borrower to make early payments, or to repay the loan, in part or fully before maturity.

**Nonrecourse** – A provision in the note under which it will not hold the borrower personally liable in the event of a default. In this case, the lender may only bring an action to force the sale of the property serving as security for the loan. The borrower is released of personal liability.

**Recourse** – The borrower is personally liable for payment of all amounts due under the terms of the note.

**Loan Assumability** – This clause indicates under what conditions, if any, a borrower will be allowed to substitute another party in his place, who will then assume the responsibility for remaining loan payments.

Opportunity to cure –

Acceleration –

Usury savings clause –

Secured / unsecured creditor –

Deed of trust –

Grantor/Borrower; Beneficiary/Lender –

Trustee –

Lien priority –

Power of sale –

Future advance clause / dragnet clause –

Due-on-sale clause / due-on-transfer clause –

No further encumbrances clause –

Insurance requirement –

Subordination –

Assumption –

Subject to –

Additional property clause / Mother Hubbard clause –

Seller financing –

Contract for deed / installment contract –