

Glossary of Real Estate Terms

1099 – A tax form that says how much the receiver had classified as income and usually, but not always, must pay taxes on that amount. However if the seller in a short sale situation is selling their personal residence and is under one million dollars – there is no tax implications due to the **Mortgage Forgiveness Debt Relief Act and Debt Cancellation of 2007** ruling signed by President Bush and goes through 2012.

Appraisal - An independent estimate of the fair market value of real estate. An appraisal fee is part of the closing costs for a loan.

Assignment - The method or manner by which a right, agreement, or contract is transferred from one person to another. Typically not allowed in a short sale transaction

Bill of Sale - A written document given to pass title of personal property from one person or entity to another person or entity.

BPO (Broker Price Opinion) - a valuation by a Realtor® who does drive-by appraisals on properties. These appraisals are usually paid for or requested by the bank when a property is in default or an owner is refinancing their house mortgage.

Closing Costs - The costs to a borrower of closing a mortgage loan. These usually include an origination fee, title search and insurance, attorney's fees, survey fee, home inspection fee. (While paid at Closing, taxes and insurance escrow payments are actually considered "pre-paid" by lenders. See "P".)

Cloud on the Title - An outstanding claim or encumbrance that, if valid, would affect or impair the owner's title.

Comparables – Also known as "Comps." Properties sold recently that are similar in size and location to a property under consideration for purchase. A comparable property is one factor used to gauge the fair market value of the property under consideration. Comparables should be of similar size, physical characteristics, type of construction, and location

Conventional Loans - mortgage loans other than those insured or guaranteed by a government agency such as the FHA (Federal Housing Administration), the VA (Veterans Administration), or the Rural Development Services (formerly know as Farmers Home Administration, or FmHA).

Conventional mortgage - A mortgage loan made without any additional guarantees for repayment, such as FHA insurance, a VA guarantee, or private loan insurance.

Debt-to-Income Ratio - The ratio of the borrower's monthly debt to monthly income, using either net or gross income levels, expressed as a percentage. An acceptable ratio may differ according to the loan product or available down payment.

Deed in Lieu – A deed given back to the bank by the deed holder instead of paying the mortgage. The bank becomes the new owner and deed holder no longer is responsible for the mortgage.

Default - A loan is in default when the payments have not been made according to the prescribed agreement.

Deficiency Judgment - After a debt is settled in part, this is the amount that is still owed on a debt and which the debtor is still held responsible to pay.

Discount - The difference between the face amount of a note or mortgage and the price at which the instrument is sold on the secondary market

Equity - The interest or value that the owner has in real estate over and above the liens against it.

Escrow agent – A neutral third party used by buyers and sellers of property to facilitate the transaction.

Escrow – 1) A written agreement for the holding of money or documents by a neutral third party prior to closing. 2) An account held by the lender (or servicer) into whom a homeowner pays money for taxes and insurance.

Farm - An area in your locale, preferable near your home, where you want to own property or just make your real estate deals. You know the streets, you know the value of the houses, and feel confident making offers and buying and selling houses.

Federal Housing Administration (FHA) - A federal agency that insures loans made by approved lenders to qualified borrowers in accordance with its regulations.

Federal National Mortgage Corporation ("Fannie Mae") - A corporation chartered by Congress that purchases and sells conventional and federally insured residential mortgages.

Federal Home Loan Mortgage Corporation ("Freddie Mac") -A Corporation authorized by Congress to purchase conventional mortgages from depository institutions and HUD-approved mortgage bankers.

First Mortgage - A mortgage that is recorded against a property before any other mortgages or liens.

Forbearance – An agreement between the debtor and the creditor to restructure the amount still due on a debt that is behind in payments. It could change the interest rate, the length of the loan, etc

Foreclosure - A procedure whereby property pledged as security for a debt is sold to pay the debt in the event of default in payments or terms.

HUD-1 Closing Statement - An official document created by the Department of Housing and Urban Development (HUD). It shows how much the buyer and/or seller will need to bring to closing to purchase the house and how much money the seller will receive after the sale of the property

Interest-Only Loan - A loan that requires the borrower to pay only the interest during the term, with the principal balance being due in full at the end of the term.

Interest Rate - Is the cost of borrowing money expressed as a percentage rate. Interest rates can change because of market conditions.

Judicial Foreclosure - a judgment by a court in favor of foreclosure of a mortgage or deed of trust, which orders that the real property which secured the debt be sold under foreclosure proceedings to pay the debt. The party suing probably has chosen to seek a judicial foreclosure rather than use the foreclosure provisions of the mortgage or deed of trust. Usually this move is made to get a "deficiency judgment" for any amount still owed after the foreclosure sale. In many states (such as California) a foreclosure on the deed of trust limits the recovery to the amount of sale proceeds (sales price minus other debts), so a lawsuit for judicial foreclosure may help the party recover the total amount of money owed to him/her if it was secured by the debtor's real property

Lien - A legal right or claim upon a specific property, which attaches to the property until a debt is satisfied.

Lien, Mechanic's - A notice filed with the County Clerk stating that payment has not been made for an improvement to real property. This becomes a lien against the property.

Limited Power of Attorney (LPOA) - A signed document giving another person permission to sign documents on a specific matter (such as a single piece of property) in the originators' place

Listing Agreement - A contract signed between a seller and a Realtor® that defines the length of time the Realtor® will advertise the seller's house and the amount of commission the Realtor® will be paid for that service

Mortgage - A document signed by a borrower when a home loan is made that gives the lender the right to take possession of the property if the borrower fails to pay off the loan.

Mortgage Cancellation Act of 2007 – eliminates taxes on up to \$2 million of debt secured by a primary residence. That means when buying property via a short sale, the sellers will have no tax consequence owing to the short sale. There may be capital gains issues by not likely. See a tax professional.

Mortgage Commitment - A formal indication by a lending institution that it will grant a mortgage loan on a property in a specified amount and on specified terms.

Mortgagee - The party (person or entity) who lends money and that is secured by the real property of the person (mortgagor) who owes him/her/it money.

Mortgagor - A person who borrows money and PLEDGES his/her real property as security for the money provided by the lender (mortgagee).

Net Sheet – This is a simple spreadsheet easily created by the investor to show how much money the buyer and/or the seller will receive after the purchase of the property

Non-Recourse Loan – Used to finance the original purchase of real estate. A non-recourse loan does not trigger a tax liability for an owner occupant.

REO - Real Estate Owned - Real Estate purchased back by the bank that holds the mortgage on a defaulted loan that is sold through foreclosure at a sheriff sale.

Seasoning - A contract that has been between the same parties (entities) for a particular length of time. i.e., the same name being on a deed, land contract, lease with option to buy, etc. Typically 3-6 months for a new purchaser to buy with a mortgage and sometimes the entity must be on the deed for 12 months.

Second Mortgage - A lien on property used as security for a loan where there is already a first mortgage on the property. Should the mortgagor (borrower) fail to make payments, the first mortgagee would get all money at foreclosure up to the full amount of his mortgage. The second mortgagee would get any money left up to the value of the second mortgage. Whether the mortgage is first or second depends entirely on the time it was recorded at the court house, unless the mortgage states it is subordinated to the rights of another mortgage holder.

Sheriff Sale – The final act in a foreclosure proceeding. The real estate that is in default is sold to a third party in an effort for the defaulting note holder to receive payment against the note

Short Sale - When a note holder takes less on the value than is actually owed in exchange for releasing the mortgage as a lien on the property.

Title - Legal evidence of ownership of real or personal property

Title Insurance - for lenders and/or borrowers against financial loss resulting from claims arising out of defects in the title to real property, which may not have been discovered during the title search. The cost of the policy is based on the loan amount. The buyer or seller can pay for it

Title Search - A review of public records to disclose past and current facts about the ownership of real property

Transactional Lender lends money for one double close and that's usually less than one day. A reasonable fee is 2% and I can get you a lender to be sure you get your deals closed.

VA Mortgage - A mortgage loan or trust made by a Private Lender and guaranteed by the Veterans Administration (VA). These loans are designed to assist veterans in financing the purchase of homes with small or no down payments at a comparably low rate of interest. They may be assumed by anyone if originated before a certain date

Warranty Deed - A conveyance of land in which the grantor will protect the grantee against all claims

Work Out – A Program or a department in a bank that helps debtors pay back any money owed to the creditor. An attempt by a debtor to voluntarily restructure his debts in a manner similar to the restructuring provided for in the bankruptcy. They are voluntary and not overseen by a court Trustee. The ability of a debtor to negotiate different terms on a debt is limited by his creditors and everyone's ability to be reasonable under the threat of a bankruptcy.

For more information on Short Sale Real Estate Investing,
visit me at ShortSaleQueen.com

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The Short Sale Queen® and Coach