DOWNLOAD PDF LEARNING THE TERMINOLOGY AND UNDERSTANDING THE FORECLOSURE PROCESS

Chapter 1 : LSNJLAW - Glossary of Foreclosure-Related Terms

The foreclosure notice is the first step in a process that may take weeks or months to unfold. By understanding the foreclosure process, you can often gain more control over the outcome. Receiving missed-payment notices.

Key Takeaways Understanding the foreclosure process from the lens of the homeowner can help you improve your investing strategy. Be sure to know what to expect before attending your first foreclosure auction. Some homeowners may elect to pursue a short sale or deed in lieu of foreclosure, so be sure to familiarize yourself with these alternative processes as well. Understanding the foreclosure process is a must for investors who hope to pursue this profitable yet tricky investing niche. Read on to get an overview of the home foreclosure process, including the foreclosure auction process, so that you can develop an investor strategy that works best for you. The Foreclosure Process Explained For investors wanting to gain a better understanding of the foreclosure buying process , it is helpful to first and foremost look at the home foreclosure process through the lens of a homeowner. A foreclosure typically takes place when the owner of a property defaults on their mortgage payments, and have been served a Notice of Default NOD by their lender. At this point, the owner enters the pre-foreclosure process, also referred to as the reinstatement period, during which they have an opportunity to straighten out their finances. However, if they fail to correct their loan default, they will receive a Notice of Sale and officially enter the process of foreclosure. Once the property has been foreclosed upon, it is often sold through auction, to be discussed in the following section. This Notice of Sale will note the time and location of the Trustee Sale, more commonly known as the foreclosure auction. Luckily for investors, the foreclosure auction process is quite straightforward. Notices of sale are typically published in the classified sections of local publications, as well as through the local county records office. The auction itself is usually held publicly on the county courthouse steps, where the property is auctioned off to the highest bid. The auction commences with an opening bid, which is set by the foreclosing entity. The bid price is typically based upon the outstanding mortgage balance, accrued interest, and applicable fees. Oftentimes, the opening bid is not met because it exceeds the current value of the property. At this juncture, all property taxes and junior liens, prioritized by the date of recording, are removed. This allows for investors to start making bids while resting assured that they will acquire the property with a clean title. The foreclosure process takes roughly four months, depending on the parameters. Including part of the pre-foreclosure process, let us say that the process of foreclosure begins when the Notice of Default NOD is issued. Let us also say that the foreclosure process ends when the investor acquires the foreclosed-upon property. Typically speaking, there is a 3 month window between the issuance of the NOD and the Notice of Sale. During this time known as the reinstatement period, the homeowner is in pre-foreclosure and has not actually entered foreclosure yet and has an opportunity to correct their default. After the Notice of Sale is received, the property auction is typically marketed for about 3 weeks before the auction takes place. Assuming that a foreclosure eviction process from the previous owner can be avoided, the foreclosure process takes close to four months in total. Of course, as in any type of real estate transaction, complications may extend the timeline. A deed in lieu of foreclosure process, also called a mortgage release, allows the homeowner to give up ownership of their property in exchange for being released from their mortgage loans. A mortgage release provides a viable exit strategy for a homeowner when they are underwater, are facing long-term hardship, and know that they will not be able to make mortgage payments. This releases them from most of their liabilities, and helps them avoid the foreclosure process, thus lessening the impact on their credit. The ownership is voluntarily transferred to the lender, whose best interest is also to avoid foreclosure. This way, the lender can avoid spending the time and money required in a repossession, and they can also reduce the risk of revenge from the previous owners, often in the form of vandalism and theft from the property. Deed In Lieu Of Foreclosure Vs Short Sale Both the deed in lieu of foreclosure and the short sale are viable options that can help homeowners avoid foreclosure, but there are key differences between the two that should be noted. As explained above, the deed in lieu of foreclosure helps to absolve the homeowner from their mortgage obligation by voluntarily transferring ownership of their property to their lender. IN the short sale process, however, the homeowner must obtain permission from their lender to sell the property to a third party for less than the outstanding debt on the mortgage loan. Any proceeds from the sale will go to the lender, and not to the homeowner. In exchange, the owner is released from the property lien. In both cases, the homeowner must have the exit strategy approved by the lender, and will be required to provide financial information and an affidavit of their hardship. The Foreclosure Buying Process Explained Make sure buying foreclosures is the right strategy for you. Get pre-approved for a mortgage.

Chapter 2 : Understanding The Terms and Timelines of Foreclosure - Glen Oaks Escrow

The foreclosure process is not very difficult to understand. There are several stages during which the homeowner has an opportunity to bring the loan current and avoid foreclosure. There are several stages during which the homeowner has an opportunity to bring the loan current and avoid foreclosure.

Tweet Foreclosure is the process that allows a lender to sell the property of a homeowner who has defaulted on their mortgage. By holding a foreclosure sale of the property under mortgage, they are able to use the proceeds of the sale to cover the unpaid mortgage debt. How does Foreclosure Work? Foreclosures follow a general timeline and process that is important to understand before you start trying to buy foreclosures. In some places, the foreclosure process may allow you a great deal of time, while in others you may have only a short period in which to take all the necessary steps to prepare for a purchase. Knowing your local laws is always a good idea before you even start pursuing distressed properties. The Pre-foreclosure Stage The foreclosure process starts off with a mortgage default by a homeowner, meaning that they fail to make the necessary payments toward their mortgage. Once this happens, the lender will issue a Notice of Default and present it to the homeowner. The Notice of Default will explain how much the homeowner owes and provide a deadline for the homeowner to pay their debt. The Notice of Default marks the beginning of what is called the pre-foreclosure stage. The pre-foreclosure stage covers the entire period of time after a default, but before a foreclosure sale. If the homeowner pays off their default debt within the time allowed by the Notice of Default, the pre-foreclosure stage will end, and the homeowner will resume normal payments of their mortgage. However, if they do not pay the default in the specified time frame, the lender will move to schedule a date for a foreclosure sale of the property, either by issuing a Notice of Sale or consulting a local court. Judicial and Non-Judicial Foreclosures Here again, local laws come into play. In some states, a lender may be allowed to pursue a foreclosure on their own after a default, without any court supervision. The law usually requires a certain amount of time to pass between the Notice of Sale and the sale date which can range from 3 weeks to 6 or more months , but other than that, they will be held to no other accountability. This is called a non-judicial foreclosure. Some states require judicial foreclosures, which means the lender must file a suit with a court, known as a Lis Pendens, before beginning the foreclosure process. The court will hear the case, and if it approves, they will issue an auction date for the foreclosure sale of the property. In most cases, a representative of the court will also conduct and oversee the sale when it occurs. Pre-Foreclosure and Short Sales Often times, in order to avoid a foreclosure, the owner will seek to sell their property before the foreclosure sale date. This will allow them to pay off their debt and walk away from the default without a foreclosure ruining their credit and home ownership history. In this case, many homeowners will seek a short sale of the property. A short sale, if agreed to by the lender, will allow the homeowner to sell the property for less than they bought it for, and use the money to pay off as much of their debt as the sale price allows. Again, the lender must agree both to a short sale and the final price of the property. But they can be good deals for investors and great ways for homeowners to avoid foreclosure. The Foreclosure Auction If the property is not sold before the date of the foreclosure sale, it will be auctioned off as scheduled. The auction usually happens in a public place or at the property itself, and is presided over either by a local Sheriff or court appointee or a trustee of the lender, in the case of non-judicial foreclosure. The auction will be open to the public, and anyone may attend and bid on the property. The property will be awarded to the highest bidder, who will then have to provide proof of financing, and usually a down payment on their winning bid. Within a few days, the winning bidder will have to provide the full amount of their bid, and will then be awarded control of the property. The Period of Redemption In some states, the original homeowner may be entitled to a period of redemption after a foreclosure sale is complete. During this time, they may regain control of their property if they pay off the full loan debt plus any associated interest, costs, or fees. In some areas, the period of redemption may last for up to a year. Buying Foreclosure Homes Buying home foreclosures can be a fantastic way to save money on a new home or get a great value on real estate investment. Since lenders usually only need to collect an unpaid portion of the full value of a mortgage through foreclosure, many foreclosures can be undersold while still covering the debt owed. In addition, most lenders are eager to sell foreclosures, and selling them for less than their full value encourages a quick sale. Best of all, you have total control over the purchase. Is Foreclosure a Profitable Investment? Foreclosures can be one of the most profitable investments on the real estate market. This means you could actually turn around right after a foreclosure sale and re-list the property on the open market for its full value, and profit immediately! To learn more, check out our foreclosure investing page and learn how you can take advantage of these valuable properties. What are the Types of Foreclosures? Foreclosures come in all shapes and sizes. They can be homes, apartments, condos, multifamily units and complexes, or even commercial properties. And the sources for foreclosures can be just as diverse. There are also plenty of government homes out there available through Fannie Mae foreclosures and Freddie Mac foreclosures. While most of these properties are available through foreclosure auctions, some are also available for purchase direct from the bank or agency. How To Find Foreclosures? In the past, buyers had to spend hours of their own time searching through newspapers, real estate magazines, and county records to turn up just a few local foreclosure listings. Every day, we update our nationwide database of over 2 million foreclosure properties for new listings, and make them available to our members with a convenient search feature. Decades of experience in the industry means we have contacts in all real estate arenas, including banks and government agencies, so that we can bring together a comprehensive database of foreclosures from across the nation. Search our database for foreclosure homes in your area today to start viewing detailed listings with all the information you need to narrow down your search to the homes that meet all your needs!

Chapter 3 : Mortgages Understanding the basics | Central Bank

Nonetheless, since compliance with the foreclosure process can greatly impact the length, cost and outcome of these actions, a solid understanding of the foreclosure process is critical. In this article we'll take a deep dive into the foreclosure process, step by step.

Understanding the basics Mortgages Understanding the basics Picking out and planning for a future home should be an exciting task, but the thought of all the financial terminology that comes with it may seem intimidating. What is a mortgage anyway? In simple terms, a mortgage is a loan that is used to finance your house. In order to secure the loan, you have to enter into an agreement with a lender, or bank. The lender will give you the loan as cash up front, which you will then pay back over a set time span until the loan is paid in full. Is there more than one part to a mortgage? There are actually five parts to a mortgage: When you enter into the legal agreement with a lender, your house is used as collateral for that agreement. If you fail to pay back the loan, the bank can actually take your house back through a process called foreclosure. The amount of money that the bank lets you borrow is known as the principal. The lender charges you for borrowing money from them. This is called the interest. It is typically expressed as a percentage, which is known as the interest rate. Principal and interest will make up most of your monthly payments, which will reduce your debt over a fixed period of time. These taxes usually go to helping the community with education, roads, and more. Just like you have health insurance to cover you when you are sick, lenders will require you to buy home insurance. This insurance typically covers natural disasters, fire, theft, etc. Are there different types of mortgages? The two most common types of mortgages are fixed-rate mortgages and adjustable-rate mortgages. With a fixed-rate home loan, that interest rate is fixed, meaning it stays the same until the loan is paid off. Each monthly principal and interest payment will be equal for the length of the loan. The interest rate on an adjustable-rate home loan, or ARM, can change from year to year. ARMs can be a hybrid of both adjustable-rate and fixed-rate. For example, the lender can set your interest rate at 4 percent for five years and then adjust it according to their own practices. More than likely, your lender will have multiple loan plans. Make sure you speak with them to choose the right one for you. Learn about the mortgage process! No matter what kind of loan gets you into a home, make sure you do your homework and find the right lender for your future. Stop by any of our Central Bank locations to chat about your options or visit the Mortgage Center on our website. It is not to be construed as the opinion of Central Bancompany, Inc. All information presented is without any representation, guaranty, or warranty regarding the accuracy, relevance, or completeness of the information.

Chapter 4 : Understand Mortgage Key Terms To Avoid Foreclosure : Fannie Mae

Chapter 4 Understanding the Pre-Foreclosure Process. Opportunity is missed by most people because it is dressed in overalls and looks like work. â€”Thomas A. Edison. After the housing bubble burst in , foreclosures became a nationwide epidemic.

Glossary of Foreclosure-Related Terms Page Content Adjournâ€"To put off a court session, such as a hearing or a trial, until a later time. Amortizationâ€"The process of paying off a loan, such as a mortgage, graduallyâ€"usually by periodic payments of principal and interest. Answerâ€"A document filed by the defendant in response to the complaint filed by the plaintiff. An answer may also include a counterclaim. Arrearsâ€"A legal term for a type of debt which is overdue after missing an expected payment. It is also used in the form in arrears for payments that occur at the end of a period. In a home loan, the property is the collateral. If the borrower does not pay the debt, the lender can bring a foreclosure case in court and the property may be sold to satisfy the debt. A complaint must set forth claims that give the party being sued a general idea about what he or she is being sued for. The party who files the complaint is known as the plaintiff. Consolidate Debtâ€"To replace multiple loans with a single loan, which often has a lower monthly payment and a longer repayment period. Also called a consolidation loan. Cure right to cure â€"To cure means to pay the amount that you owe and reinstate the mortgage on the property. Defendantâ€"The party sued by the plaintiff in a civil lawsuit or by the state in a criminal lawsuit. Encumbrancerâ€"A party holding a mortgage, lien, lease, or restrictions relating to property. Equityâ€"The amount of money left over if you subtract the amount of any liens mortgages or loans from the property value. Hearingâ€"A public proceeding in a court in which witnesses are heard, evidence is presented, and the parties to the lawsuit are present and have a right to be heard. There is no jury present. This proceeding is formal, but somewhat less formal than a trial. A judgment should be signed and dated on the date that the case is decided. Litigantsâ€"The name given to the parties involved in a lawsuit. Market valueâ€"The going or current rate. Mediationâ€"The act of attempting to resolve a dispute or disputes with the help of a neutral third party before a trial or hearing. Motionâ€"An application to the court for some kind of legal relief. Motions are usually filed after an order has been entered in a lawsuit, although sometimes they can be filed at the beginning of a lawsuit in place of an answer to a complaint or with an answer to a complaint. Negotiate â€"To communicate with another party for the purpose of reaching an understanding. Noticeâ€"The word for the legal notification required by law or agreement. Noteâ€"A legal document that is a written promise by one party to re-pay a loan or other sum of money to another party at a specific interest rate during a specific period of time. Plaintiffâ€"The party who begins a lawsuit by filing a complaint. Principalâ€"A sum of money owed as a debt; the total loan amount borrowed. The fact value of the note. Qualified Written Requestâ€"A written request for mortgage documents made to the company collecting mortgage payments from you your mortgage servicer. Real Estate Closingâ€"A real estate closing is the last step in the process of transferring ownership of real estate property from seller to buyer. Rescindâ€"To unmake or undo a contract between two parties. Rescissionâ€"The act of unmaking of a contract between parties the undoing of a transaction. The purpose is to avoid selling property for less than its value. Refinanceâ€"The process of paying off one loan with the proceeds from another loan, using the same property as security. Riderâ€"An amendment addition or change to a contract or a policy. Security Interestâ€"A property interest created by agreement or by law. Usually, this type of interest is created in order to make certain that the person responsible for repaying a debt actually repays the debt. Sheriffâ€"In New Jersey, an officer of the court who employs officers who perform official duties, such as providing security to the courthouse, serving process on litigants, and enforcing court judgments, such as writs of execution. Sometimes referred to, especially in other states, as a constable. Stayâ€"The postponement or halting of a court proceeding. Summonsâ€"The official notice to the defendant that someone has filed a lawsuit against him or her. It also tells the defendant where and how he or she must respond to the complaint and how long he or she has to respond. Third-Party Complaintâ€”A complaint filed by a defendant against a third party claiming that the third party is responsible for some or all of the damages that the plaintiff is trying to recover from the defendant. Trialâ€”A public proceeding in which witnesses may testify, evidence may be presented, and the parties to the lawsuit have a right to testify. In addition, a jury may be present at a trial. A trial is usually more formal than a hearing. Unconscionable Commercial Practicesâ€”The term unconscionable means literally without conscience, or showing no regard for conscience, sense of decency, or justice. Commercial practices refer to the sale and distribution of goods and the financing of credit transactions on the goods sold. Utilitiesâ€”This term refers to services such as natural gas, electricity, water, and telecommunications and cable television.

Chapter 5 : The Most Commonly Used Mortgage Terms | Understanding Mortgage

The foreclosure process transfers ownership back to the lender when a homeowner can't pay their mortgage. Phases in a Foreclosure When the Court is Not Involved Notice of Default.

They will help you understand your options, design a plan to suit your individual situation and prepare your application. Below is a list commonly used terms and definitions. A mortgage loan with an interest rate that is subject to change and is not fixed at the same level for the life of the loan. These types of loans usually start off with a lower interest rate but can subject the homeowner to payment uncertainty when the rate adjusts. When a property is appraised in connection with a loan, the appraiser is selected by the lender, but the appraisal fee is usually paid by the homeowner. A mortgage loan that requires a large payment due upon maturity for example, at the end of ten years. This type of bankruptcy sets a payment plan between an individual debtor such as a homeowner and the creditor monitored by the bankruptcy court. In the case of an individual debtor, a bankruptcy that requires all assets be liquidated in exchange for the discharge of debts, other than debts the individual debtor chooses to reaffirm and certain obligations that cannot be discharged as a matter of law. When selling a house, the process of transferring ownership from the seller to the buyer, the disbursement of funds from the buyer and the lender to the seller, and the signing of all the documents associated with the sale and the loan. On a refinance, there is no transfer of ownership, but the closing includes repayment of the previous lender. One or more persons who have signed a loan note, and are equally responsible for repaying the loan. The efforts a lender takes to collect past due payments. An Adjustable Rate Mortgage loan that can be converted into a fixed-rate mortgage during a certain time period. A comparison or ratio of gross income to housing and other expenses or debts the homeowner owes. A document that legally transfers ownership of property from one person to another. Also known as the title. The process by which a homeowner may voluntarily transfer the deed to a home to the servicer when payments cannot be made. Loan payments that are authorized to be postponed as part of a workout process to avoid foreclosure. The difference between the balance outstanding on a loan and proceeds from the sale of the loan collateral or property. Failure to make a payment when it is due. A loan is generally considered delinquent when it is 30 or more days past due. A separate account into which a portion of each monthly mortgage payment is placed; an escrow account provides the funds needed for such expenses as property taxes, homeowners insurance, mortgage insurance, etc. Back to Top Escrow Analysis: A periodic review of escrow accounts to make sure that there are sufficient funds to pay the taxes and insurance on a home when they are due. A mortgage that has a first-priority claim against the property in the event the homeowner defaults on the loan. A mortgage loan with a fixed interest rate that remains the same for the life of the loan. A temporary period of time during which a regular monthly mortgage payment is reduced or suspended. The legal process by which a property may be sold and the proceeds of the sale applied to the mortgage debt. A foreclosure occurs when the loan becomes delinquent because payments have not been made or when the homeowner is in default for a reason other than the failure to make timely mortgage payments. Steps by which the servicer works with the homeowner to find a permanent solution to resolve an existing or impending loan delinquency. Private corporations created by the U. Government to reduce borrowing costs. Back to Top Housing Expense: A mortgage in which the homeowner pays only the interest and none of the outstanding principal balance on a loan for a specified amount of time. A property not considered to be a primary residence that is purchased in order to generate income, profit from appreciation, or to take advantage of certain tax benefits. If there is more than one lien, the claim of the lender holding the first lien will be satisfied before the claim of the lender holding the second lien, which in turn will be satisfied before the claim of a lender holding a third lien, etc. In real estate lending, the outstanding principal amount of the loan divided by the appraised value of the property underlying the loan. The total income of all homeowners who sign a mortgage before any taxes or other deductions are made. A legal document that pledges property to a lender as security for the repayment of a loan. The term is sometimes also used to refer to the loan itself. Back to Top Negative Equity: The condition of being underwater, or owing more on the property than the property is worth. Shorthand for principal, interest, taxes, insurance, and, if applicable, association fees which are the components of the housing expense. Sale in which the servicer allows the homeowner to list and sell the mortgaged property with the understanding that the net proceeds from the sale may be less than the total amount due on the first mortgage. The property in which the homeowner will live most of the time, as distinct from a second home or an investment property that will be rented. The reduction in loan balance which occurs with each payment of a positively amortized mortgage. This is when the mortgage company recalculates the monthly payment based on the lowered principal balance, using the same interest rate and time remaining under the existing mortgage terms. The process of replacing an existing mortgage with a new one by paying off the existing debt with a new loan under different terms. A process in which a homeowner promises to pay down past due amounts on a mortgage while continuing to make regular monthly payments on a property. A loan with a second-priority claim against a property in the event that the homeowner defaults. The lender who holds the second mortgage gets paid only after the lender holding the first mortgage is paid. When one servicer is replaced by another by the lender. Back to Top Short Sale: The documented evidence that a person or organization has ownership of real property. A relationship in which one person holds title to property, subject to an obligation to keep or use the property for the benefit of another. The condition of having negative equity, or owing more on the property than the property is worth. The person who does this is called an underwriter. Amount of a loan that is due to the lender. This does not include additional charges, such as interest. Average number of years for which each dollar of unpaid principal on a loan or mortgage remains outstanding. A way to resolve or restructure a loan to prevent a homeowner from going into foreclosure through a loan modification, forbearance or short sale.

Chapter 6 : Foreclosure Glossary of Terms

If you are either in the process of buying or selling a foreclosure property, understanding the basic terms associated with the process will help you ask appropriate questions of your REALTOR, the escrow officer, the lender and/or other parties involved in the transaction.

A signed document that transfers ownership of property from one party to another. Deed-in-lieu of Foreclosure An instance where borrowers voluntarily convey their rights in a property to the lender. Deed of Trust A three party security instrument conveying the legal title to real property as security for the repayment of a loan. The three parties included in a deed of trust are the borrower, lender and trustee. Default A mortgage or deed of trust is said to be in default when the borrower fails to make the payments as agreed to in the original promissory note. Deficiency Judgment A personal judgment against the borrower for the remaining balance on the loan after a foreclosure sale. Equitable Title The present right to possession with the right to acquire legal title once a preceding condition has been met. Fair Market Value The price a property would sell for on the open market. Foreclosure The forced sale of property pledged as security for a debt that is in default. Judicial Foreclosure A foreclosure that is processed by a court action. Lien A charge upon real or personal property for the satisfaction of a debt. Legal Description A formal description of real property sufficient to locate it by reference to government surveys or approved recorded maps. Lender A person who lends money for temporary use on condition of repayment with interest i. Lis Pendens A recorded notice of pending lawsuit. Mortgage A written pledge of property that is used as security for the repayment of a loan. Non-judicial Foreclosure The non-judicial process of foreclosure is used 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. Notary A public officer licensed by the state to attest to and certify the validity of signatures of others. A notary is often referred to as a notary public. Notice of 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. Personal Property Property other than real property consisting of things temporary or movable. Posting To publish, announce or advertise by physically attaching a notice to an object. Postponement Postponement means to put off to a later time. In the case of a foreclosure sale, this is generally done by announcement at the original sale or by posting notices establishing the new date and time the foreclosure sale will take place. Request for Notice A recorded document requiring a trustee send a copy of a Notice of Default or Notice of Sale concerning a specific deed of trust in foreclosure to the person who filed the document. Subject To The purchase of a property with an existing lien against the title without assuming any personal liability for the liens payment. 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 An auction of real property conducted by a trustee. Upset Bid A recorded bid placed after a foreclosure sale has ended that is higher than the highest bid received at the actual foreclosure sale. Writ An order or mandatory process in writing issued in the name of a court or judicial officer commanding the person to whom it is directed to perform or refrain from performing a specified act.

Chapter 7 : Foreclosure Terminology | calendrierdelascience.com

Foreclosure is a legal process where your lender attempts to recover the mortgage balance owed on your delinquent loan by selling the home. The foreclosure process is different in every state. In some states, a foreclosure can take as little several months.

It is likely the largest transaction you will ever complete. It is important to understand all of the mortgage terms before you apply for a mortgage. This can give you confidence when you sign the papers on your first home. It is important to understand the mortgage definition for each of the different types of mortgages from ARMS to traditional and balloon payment mortgages. Once you understand basic mortgage terminology, you will better be able to make the best choices for your individual situation. This list of mortgage terms should help you as you prepare to buy a new home. Adjustable Rate Mortgage ARM - An adjustable rate mortgage is a mortgage with an initial low interest rate that will go up as market conditions dictate. The loan will have a number of limitations on how many times a year the rate can go up and how much it can be increased over the life of the loan. When the interest rate goes up your monthly payment will go up since the term of the loan is set. Appraisal - The appraisal on the home will tell you what the estimated value of the home is. This will help you determine if the asking price is a fair one. The appraisal will also help you to determine how much to offer on a home. The appraisal on the home will also determine the amount the bank is willing to lend you. They will usually not lend you more than the appraisal. This is the interest rate for the whole year, not just for a month. Balloon payment - A balloon payment is the balance of the loan that is due at the end of the loan. Interest only loans often have balloon payments. Construction loans do, as well. When you take out this type of loan, the bank expects you to either pay off the entire loan or to refinance by time the loan is due. Collateral - The collateral on the loan is what the bank can collect if you default on the loan. For a mortgage, your collateral would be your home. For a car loan, it would be your car. Down Payment - The down payment is the amount that you pay towards the home out of pocket. Most mortgage companies like to see between ten and twenty percent of the value of the home as a down payment. You may qualify for a down payment of as little as three percent if you can get a Fannie Mae loan. Fixed-rate mortgage - A fixed-rate mortgage is a mortgage that has the same interest rate through the entire life of the loan. This is the same mortgage definition as a traditional mortgage. You do not need to worry that your payment will increase if you have a fixed rate mortgage. Foreclosure - A foreclosure is the process the bank goes through when someone stops paying on the home. The bank will take the home back from the homeowner, and require that the person who borrowed the mortgage moves out. After the bank sells the home, they can ask you to pay the remaining balance on your mortgage. Principal - The principal on the loan is the amount that you originally borrowed. When you pay on the principal, you are putting extra money towards the amount you owe, and not paying any of the interest. Private Mortgage Insurance PMI - Private mortgage insurance is required for lenders who do not put down twenty percent on their home. It protects the bank if you were to default on the loan. It does not protect the borrower, even though you are the one paying for it. Short Sale -A short sale is when you try to sell the home for less than you owe on the mortgage. The mortgage company will agree to allow you to do this, and may either forgive the remaining balance or ask you to pay on the difference. Term - The term of the loan is the length of the loan. You can have a ten, fifteen or thirty year mortgage.

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Chapter 8 : Glossary of Key Terms

The process in which a mortgage company works with a delinquent homeowner to sell the house by a real estate agent prior to the foreclosure sale. The sale price is less than what is owed on the mortgage.

An assumption is a method of transferring a house to a new buyer who agrees to take responsibility for assumes the existing mortgage. Not all mortgages are assumable, so this option must first be discussed with the lender. A legal alternative that allows the borrower to clear any debt obligations by restructuring the payment terms. A bankruptcy stops the foreclosure process until the bankruptcy process is completed or the court allows the lender to resume the foreclosure. BPO broker Price Opinion: The estimated value of a property as determined by a real estate broker or other qualified individual or firm of probable selling price of a residential property based on selling prices of comparable properties in the area. Often used by a mortgage servicer as an alternative to a full property appraisal when a loan is placed in default or loan terms are modified. A deed in lieu of foreclosure takes place when you voluntarily give the deed to the property back to the servicer. It benefits the lender in that it saves the lender the expenses of the foreclosure process. The seller will still lose their house and their credit. A legal document that dictates the terms of a loan used to buy a property and transfers the ownership of the property to a third party called a trustee until the loan has been paid in full. Occurs when the borrower does not meet its legal obligations according to the loan terms. If the foreclosure does not pay off the loan, including accrued interest and costs of sale, then the lender can pursue a court order decision making you personally liable for the remaining difference. The lender may allow the homeowner to reduce or suspend payments for a short period of time and then agree to another option to bring the loan current. A forbearance option is often combined with a reinstatement when the homeowner will have enough money to bring the account current at a specific time. A process in which a lender attempts to recover the amount owed on a defaulted loan. The lender has the option of selling the property or repossessing the property. The beginning of a foreclosure process starts after a borrower defaults on mortgage payments and the lender files a Notice of Default or Lis Pendens. A legal claim on a property by a lender or other entity called the lien holder against the property owner that owes the money. A publicly recorded notice of a pending lawsuit against a property owner that may affect the ownership of a property. This process is required in a few states to begin the foreclosure process if a borrower is in default. A publicly recorded notice stating that a property owner is behind scheduled loan payments for a loan secured by a property. A one-time payment from the FHA-Insurance fund to bring mortgage payments current. When the lender files a Partial Claim, the U. The homeowner must execute a promissory note, and a lien will be placed on the property until the promissory note is paid in full. This promissory note is interest-free and is due when the owner pays off the first mortgage or when the property is sold. Occurs when the property owner pays off the amount in default to bring the loan payments current in order to stop the foreclosure process and return to the original terms of a loan. A class of property owned by a lender, typically a bank, after an unsuccessful sale at a foreclosure auction. The homeowner may be able to get an agreement to resume making their regular monthly payments plus a portion of the past-due payments each month until they are caught up. To avoid going through a foreclosure proceeding, the servicer can agree to accept the proceeds of the sale in satisfaction of the mortgage.

Chapter 9 : The Foreclosure Process: Understanding How Foreclosures Work

Understanding the foreclosure process is a must for investors who hope to pursue this profitable yet tricky investing niche. Read on to get an overview of the home foreclosure process, including the foreclosure auction process, so that you can develop an investor strategy that works best for you.

A legal document under which ownership of a property is conveyed. Deed-in-Lieu of Foreclosure The transfer of title from a homeowner to the mortgage company to satisfy the mortgage debt and avoid foreclosure; also called a "voluntary conveyance. Default A borrower is in default when they fail to meet the terms of their loan agreement. Usually this is based on failure to make payments on time. Deficiency Balance The difference between what a foreclosed home sold for and the remaining mortgage balance. The mortgage company may require you to pay the amount of the deficiency balance. Deferred Payments Payments that are authorized to be postponed as part of a workout process to avoid foreclosure. Delinquency Failure to make a payment when it is due. A loan is generally considered delinquent when it is 30 or more days past due. Equity Ownership interest in a property. Escrow An account held by the mortgage company where a homeowner pays money toward taxes and insurance of a home. The actual account where the escrow funds are held in trust. Escrow Analysis A periodic review of escrow accounts to make sure that there are sufficient funds to pay the taxes and insurance on a home when they are due. Fixed-Rate Mortgage A mortgage loan in which the interest rate remains the same for the life of the loan. Forbearance An agreement to temporarily suspend or reduce monthly mortgage payments for a specific period of time. The mortgage company will then postpone legal action when a homeowner is delinquent. A forbearance is usually granted when a homeowner makes satisfactory arrangements to bring the overdue mortgage payments up to date. Foreclosure The legal process by which a property may be sold and the proceeds of the sale applied to the mortgage debt. A foreclosure occurs when the loan becomes delinquent because payments have not been made or when the homeowner is in default for a reason other than the failure to make timely mortgage payments. Foreclosure Prevention Steps by which the mortgage company works with the homeowner to find a permanent solution to resolve an existing or impending loan delinquency. Hardship A hardship is the reason why a homeowner is having trouble making their mortgage payments, such as job loss, medical emergency or illness, divorce, etc. A hardship may be short term less than 6 months or long term more than 6 months. For more information about this program, please visit MakingHomeAffordable. Home Equity Line of Credit A way of borrowing money against the equity or assets that the homeowner has in the home to pay for things such as home repairs, college education, or other personal uses. Interest-Only Mortgage A mortgage where the homeowner pays only the interest on the loan for a specified amount of time. Investment Property A property not considered to be a primary residence that is purchased by an investor in order to generate income, gain profit from reselling or to gain tax benefits. The owner of the loan on a property. Loan-to-Value LTV Loan to value is a calculation frequently used by mortgage companies when qualifying borrowers for a mortgage. Modification Any change to the terms of a mortgage loan, including changes to the interest rate, loan balance or loan term. Mortgage A legal document that pledges property to the mortgage company as security for the repayment of the loan. The term is also used to refer to the loan itself. Mortgage Company Mortgage companies may originate i. The lender who originated your mortgage may or may not service your loan. When the mortgage company services your mortgage, they do the following: Refinance A new mortgage with new terms, interest rates and monthly payments. The new loan completely replaces the current mortgage and may lower your payment. Repayment Plan A homeowner promises to pay down past-due amounts on a mortgage over a specified time period while still making regular monthly payments. Short Sale also called Pre-foreclosure The process in which a mortgage company works with a delinquent homeowner to sell the house by a real estate agent prior to the foreclosure sale. The sale price is less than what is owed on the mortgage.