

## **Mortgage and Foreclosure Terms**

**Adjustable Rate Mortgage (ARM):** A mortgage loan or deed of trust that allows the lender to adjust the interest rate. The rate change is agreed to at the inception of the loan.

**Amortize:** Repayment of debt with payments of both principal and interest calculated to pay off the debt at the end of a specified time period.

**Balloon Mortgage:** A mortgage with installments of principal and interest that do not fully amortize the loan. The balance of the mortgage is due in a lump sum, usually at the end of the term.

**Buydown Mortgage:** A mortgage with a below-market interest rate that results in lower monthly payments. A buydown is made by the lender in the form of "points" in return for money received from the builder, seller or homebuyer.

**Cash for Keys:** A deal a lender may make with a homeowner. The homeowner gets a cash settlement in exchange for vacating his/her foreclosed home and leaving the home in good condition.

**Convertible ARM:** An ARM that may be converted into a fixed-rate mortgage within an agreed-upon time period. There is usually a fee when the loan converts.

**Deferred Payments:** Payments the lender agrees to postpone as part of the workout process when facing foreclosure.

**Equity:** The net value of an asset. In terms of your home, the difference between the value of the property and the amount you owe on the mortgage.

**Escrow:** Sometimes called impounds or reserves. Money or documents deposited with a third party to be delivered upon fulfillment. For example: a borrower deposits money with the lender to pay taxes and insurance on a property when they become due.

**Fixed-Rate Mortgage:** A mortgage where the interest rate and payments remain the same for the life of the loan: typically 15 or 30 years.

**Forbearance:** An arrangement in which the lender agrees not to take

legal action if a homeowner arranges to pay the amount owed on a mortgage by a specified date.

**Foreclosure:** A legal process where a mortgaged property is sold to recover the amount owed.

**Refinance:** The payoff of an existing loan with a new loan using the same property as security.

**Repayment Plan:** An arrangement in which the borrower makes additional payments to pay down the past-due amount while still making regularly scheduled payments.

**Workout:** Also called restructure. An alternative to foreclosure. Can include loan modification, short sales or forbearance.