GLOSSARY:

Accounting – The systematic recording, reporting, and analysis of financial transactions of a business. In the Note Business it refers to the payment history and billing information.

Accredited Investors – A natural person who has individual net worth of, or joint net worth with the person's spouse, that exceeds $1 million at the time of the purchase. (B) A natural person with income exceeding $200,000 in each of the two most recent years or joint income with a spouse exceeding $300,000 for those years and the reasonable expectation of the same income level in the current year.

Accurint – "Lexus Nexus" – A "subscription fee only" data base for personal information available to Lenders and Private Investigators, etc.

ACH Payment – Electronic payment taken from one bank account to another.

Additional Insured – An individual or company, in addition to the insured, who is listed in the declarations. You should try to be named as an additional insured on any loans you own.

Adjustable-Rate Mortgage – 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.

Administrative Fee - The fee you pay to a financial institution to have an account, deposit money, and use certain services. (e.g. you may choose to pay a borrower an administrative fee for signing over a Deed.)

Administrator – One commissioned by a competent court to administer the personal property of a deceased or incompetent person

Affidavit – A written declaration made under oath before a notary public or other authorized officer.

Amortize – Paying off a debt by making regular installment payments over a set period of time, at the end of which the loan balance is zero.

Annuity – Income from capital investment paid in a series of regular payments.

Appreciation – The increase in value of property over a time period or the difference between the original value of the property and the new value.

Arrears – The state of being behind in payments.

ARV (After Repaired Value) – The projected value of an "as is" property that needed work after it is renovated.

Assignment – The transfer of a registered security from one owner to another.

Assignment – (2) written document by which property, other than real property, is transferred from one person to another. Assignment of mortgage, assignment of deed in trust, assignment of lease, assignment of rentals, etc. are common assignments. The "assignee" receives the property assigned.

Assignment Chain/Assignment - A written transfer from one party to another of an estate, or right therein, or of the contractual rights of possession and use, or in action. No. 2. Written document by which property, other than real property, is transferred from one person to another. Assignment of mortgage, assignment of deed of trust, assignment of lease, assignment of rentals, etc. are common assignment. The "assignee" receives the property assigned.

Balloon Mortgage – A mortgage loan with initially low interest payments, but that requires one large payment due upon maturity (for example, at the end of five or seven years).

Bankruptcy (Chapter 7) – In a Chapter 7 bankruptcy, the individual is allowed to keep certain exempt property. Most liens, however (such as real estate mortgages and security interests for car loans), survive. Other assets, if any, are sold (liquidated) by the interim trustee to repay creditors. Many types of unsecured debt are legally discharged by the bankruptcy proceeding, but there are various types of debt that are not discharged in a Chapter 7. Common exemptions to discharge include child support, income taxes within the last three years and property taxes, student loans, and fines and restitution imposed by a court for any crimes committed by the debtor. Spousal support is likewise not covered by a bankruptcy filing nor are property settlements through divorce. Bankruptcy discharge stays on the individual's credit report for up to 10 years for most purposes.

Bankruptcy (Chapter 13) – The reorganization for consumers, in which you partially or fully repay your debts. In Chapter 13 Bankruptcy, you keep your property and use your income to pay all or a portion of the debts over three to five years. The minimum amount you must repay is roughly equal to your nonexempt property. In addition, you must pledge your disposable net income – after subtracting reasonable expenses – for the period during which you are making payments. At the end of the three-to-five-year period, the balance of what you owe on most debts is erased.

Batching Payments – The borrower is flip flopping, or bouncing back and forth between payments or between mortgages. (e.g. One month they pay 1^{st} lien & skip the 2^{nd} lien, then next month they pay the 2^{nd} lien & skip the 1^{st} lien).

BPO – **Broke Price Opinion**. Estimate of probable selling price of a residential property based on selling prices of comparable properties in the area. It's a brokers' opinion of the value of a property in the current market. Also known as, a "Drive By" appraisal.

Bankruptcy Petition – the document filed with the court to initiate a bankruptcy proceeding. The document filed by the debtor (voluntary bankruptcy) or by creditors (involuntary bankruptcy) that opens a bankruptcy case.

Billing Statement – the monthly bill sent by a lender/ issuer to the customer. It gives a summary of activity on an account, including balance or payoff, payments made, credits, finance charges and late fees.

Broken Chain of Title – A complete history of instruments used to transfer ownership in a piece of property from the US Patent to the last record owner. Chain of title breaks when a document or recording is missing.

Buy-down Mortgage – A mortgage loan in which one party pays an initial lump sum in order to reduce the homeowner's monthly payments.

Capital – Cash available for investment.

Carry 2nd - Owner Carry Second Loans often only run 3 – 5 years. Private owner held second mortgage.

Cash-on-Cash Return – A rate of return often used in real estate transactions. The calculation determines the cash income on the Cash invested:

$$\text{Cash on Cash Return} = \frac{\text{Actual Dollar Income}}{\text{Total Dollar Investment}}$$

Cash on Cash Return would measure the annual return you made on the property in relation to the down payment or investment.

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

CLVT – Combined Loan to Value – is a mathematical calculation which expresses the amount of a first mortgage lien plus the second mortgage lien as a percentage of the total appraised value of real property. For instance, if a borrower owes the First lender $70,000 and the second lender $40,000 and the house is worth $130,000, the CLTV ratio is $110,000/$130,000 or 85%.

Collateral – Property, real or personal, pledged as security to back up a promise, usually a promise to repay debt. In note business, refers to all paper files including note, mortgage, loan application, appraisals, and accounting, etc. (Collateral File)

Collateral Assignment – An Additional separate obligation attached to a contract to guarantee its performance such as by agreeing to transfer certain property or valuables to insure the performance of contractual agreement.

Collection Letter – Letter indicating an intent to pursue all legal remedies if an account is not brought current, usually sent by an attorney prior to a 30 day Demand Letter.

Collections – The efforts a mortgage company takes to collect past due payments.

Confidential Private Offering Memorandum – Also known as a Private Placement Memorandum for a private offering.

Confidential Purchaser Questionnaire – This is a questionnaire to see if a potential investor is accredited or not, and whether they are suitable to invest in private placement.

Contract – An agreement that establishes enforceable legal relationships between two or more parties.

Convertible ARM – An Adjustable-Rate Mortgage loan that can be converted into a fixed-rate mortgage during a certain time period.

Corporate Advance – An advance in fees paid by a lender on behalf of the borrower. For example, when the lender pays to bring delinquent taxes current or for “forced placed insurance” on a property.

Coupon – A detachable slip calling for periodic payments. Coupon payment.

Cram Down – a court ordered reduction of the secured balance due on a home mortgage loan, granted to a homeowner who has filed for personal bankruptcy. In a cram down, the bankruptcy court splits the outstanding mortgage balance into two parts. The amount of debt equal to the current appraised value of the home is treated as a secured claim, which the borrower must continue to pay. The amount of debt in excess of the current property’s value becomes an unsecured claim, which is usually not paid in full.

Credit Report – A record of an individual’s or company’s past borrowing and repaying, including information about late payments and bankruptcy.

CRS - Certified Residential Specialist www.CRS.com. Network of top Realtors throughout the country.

Debt Service – The sum of money needed each month of the year to amortize the loan or loans.

Debt-to-Income (DTI) – A calculation frequently used by mortgage companies when qualifying borrowers for a mortgage or a workout solution to resolve delinquency. It is calculated by comparing how much you pay on your mortgage(s) to your gross monthly income.

Deed – A deed is the document that transfers ownership of real estate.

Deed in Lieu – A Deed in Lieu is an option in which a borrower voluntarily deeds collateral property in exchange for a release from all obligations under the mortgage.

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."

Deed of Trust – The security for your loan. It is the document that is recorded in the public records. A deed of trust contains three parties: Borrower, Trustee, and Beneficiary. The deed of trust is an instrument that identifies the following: Original loan amount, Legal description of property being used as security, the parties, Inception and maturity date of loan, Provisions of the mortgage and requirements, late fees, Legal procedures, Riders.

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.

Delinquent – Behind in payments. (Delinquent Mortgage is more than 90 days late).

Demand letter (NOI) – "Notice of Intent" to Foreclose.

Depreciation – The natural decline in property value due to market forces or depletion of resources.

Discharged – The release of the performance of a contract or other obligation.

Door Knock Service – Service provided by many Private Investigators where they go to a borrower's property on behalf of the lender. www.pinow.com.

Due Diligence – The process of discovery of all the pertinent facts about a piece of real property or mortgage.

E & O Insurance – A policy designed to protect professionals, such as lenders or realtors' clients from malpractice or error.

Ejectment – Forced eviction process of a homeowner after Foreclosure.

Engagement Letter – A letter that defines the legal relationship (or engagement) between two parties. Commonly used when hiring an attorney.

Entity – An organization that possesses a separate existence for tax purposes. Some types of entities include corporations and limited liability companies.

Equity – Value of property above the amount of debt owed.

Escrow – An account (held by the mortgage company) where a homeowner pays money toward taxes and insurance of a home.

Escrow Account – 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.

Eviction – The act of depriving a person of the possession of land as the result of the judgment of a court.

Executor – The person or entity named in a will who is responsible for carrying out the terms of the will (that is, collecting the will maker's assets, paying the debts, and distributing the remaining assets to the beneficiaries).

Executrix – A women who is an executor.

Face Value – The Balance owed on a note.
Fair Market Equity

FDIC –Federal Deposit Insurance Corporation.

Fixed-Rate Mortgage – A mortgage loan in which the interest rate remains the same for the life of the loan.

Forbearance – (in the context of a mortgage process) – is a special agreement between the lender and the borrower in order to delay a foreclosure. Loan borrowers sometimes have problems with their payments due to unexpected circumstances. This may cause the lender to start the foreclosure process. To avoid this situation, the lender and the borrower have the option to make a "forbearance agreement." According to this agreement, the lender delays his/her right to exercise foreclosure if the borrower could catch-up his payment schedule in a designated timeframe (usually 12 months or less). The time period and the payment plan depend on the details of the agreement agreed upon by both parties involved.

FMV (Fair Market Value) – A subjective estimate of what a willing buyer would pay a willing seller for a given asset.

Forced Placed Insurance - Insurance placed on a property to protect the lender's interest when the borrower has let their insurance lapse.

Foreclosure (FC) & "To Initiate FC" - the legal process by which a borrower in default under a mortgage is deprived of his or her interest in a mortgage property. This usually involves a forced sale of the property at public auction with the proceeds of the sale being applied to the mortgage debt. "To initiate FC" just means to start the process and is often enough to get the borrower's attention to do a workout.

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.

FSBO – For Sale by Owner – it is the process of marketing, buying and selling of real estate without the representation of a real estate broker.

FTC – Federal Trade Commission

Gross Return Or Profit – This is your return or profit prior to taking out any expenses or costs.

"Hard Money & Soft Hard Money" - Hard Money Loan: A debt that is taken on in exchange for cash. No. 2. A loan based primarily upon the collaterals equity, rather than the credit worthiness of the borrower, usually for a premium interest rate or percentage. "Soft Hard Money" is private money at more favorable terms than the cost of current "Hard Money". Often used by "Rehabbers" to remodel properties when traditional lenders refuse to lend.

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 moths) or long term (more than 6 months). When contacting your mortgage company or a housing counselor for assistance, homeowners may be required to demonstrate/explain any hardship they are experiencing.

Hazard Insurance – Insurance coverage that pays for the loss or damage on a person's home or property.

Hedge Fund – An investment fund open to a limited range of investors that undertakes a wider range of investment and trading activities than long-only investment funds, and that, in general, pays a performance fee to its investment manager. Every hedge fund has its own investment strategy that determines the type of investments and the methods of investments including shares, debt and commodities.

HELOC - Home Equity Line of Credit. A line of credit that's based on a percentage of the equity in a property.

Home Equity Line of Credit – A way of borrowing money against the equity or assets that the homeowner has in the more to pay for things such as home repairs, college education, or other personal uses.

Homeowners' Authorization Letter – This is a letter where the homeowner gives a third party permission to speak on their behalf, usually with a lender, etc.

Homeowners' Options Letter - Letter we send to a delinquent borrower pointing out some of the options available to them to resolve their delinquency.

Hold Paper – Hold or "carry" a mortgage**.**

Indicative Bid – Preliminary bid on a pool of loans prior to a complete verification of data.

Institutional Note – A note originated by a financial institution, as opposed to a "private note".

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.

Investor – The owner of the loan on a property.

Junior Lien – A "subordinate lien".

Judgment – A final determination by a court of competent jurisdiction of a matter presented to it. Most often a judgment is for a sum of money.

"Kicker" - The difference between the "face value" of a note & mortgage and the purchase price or unpaid principal balance of the note & mortgage at the time it is sold or satisfied.

Legal Description – A geographical description of a real estate parcel in sufficient detail that it can be used for legal transactions. The description must include any existing easements.

Leverage – the principle of increasing one's yield through borrowing money

Lien – A form of encumbrance which usually makes specific property security for the payment of a debt or discharge of obligation such as judgments, taxes, mortgages, deeds of trust, etc.

Letter of Collection – Written notification of the pending amounts, meant to prod past-due customers to make a payment.

Letter of Intent – A letter in which someone gives a commitment to do something under certain terms and conditions. Examples are a "letter of intent to foreclose" or a "letter of intent to purchase".

Line Of Credit - See Home Equity Loan. A loan sometimes called a "line of credit" where an owner uses his or her residence as collateral for a loan which permits the draw of funds up to a present amount.

Liquidation – The sale of a defaulted mortgage loan or of the REO property that previously secured the loan.

Liquidity – The relative speed of converting an asset to cash. The ease with which a person is able to pay his or her maturing obligations. No. 2 the holdings such as common stocks and U.S. savings bonds which have the ability to easily be converted to cash or its equivalent.

Loan – A granting of the use of money in return for the payment of interest.

Loan Boarding - The process of taking an inventory of all the collateral and documents of a loan, usually involving and updating a contact management system.

Loan Counselor – Someone who is a "workout specialist' who negotiates with homeowners to resolve their delinquent loan status.

Loan Level Buyer – A buyer of loans who has the leeway to choose individual loans from a pool usually for a premium.

Loan Originator – A primary lender, often used interchangeably with loan officer. A seller of mortgages in the secondary market.

Loan Servicing Company – The acts performed to collect and process loan payments during the life of the loan. They include billing the borrower, collecting payments of principal, interest, and payments into an escrow account, disbursing funds from the escrow account to pay insurance premiums and taxes, and forwarding funds to an investor if the loan has been sold in the secondary market.

Loan Pool – Large group of loans. A “tape”.

LOI – Letter of Intent

Loss Mitigation – When the homeowner and the mortgage company are working together to determine the appropriate option/workout solution to bring the mortgage current and avoid foreclosure.

LTV – Loan to Value. The percentage of loan amount in proportion to the value of the collateral used to secure the loan.

Maturity Date – The date on which an issuer of a mortgage promises to repay the full amount borrowed.

MERS - Mortgage Electronic Registration system. Mortgage title transfer system used by larger financial institutions.

Mitigated – To make or become milder or less severe. Reduce risk.

Modification – Any change to the terms of a mortgage loan, including changes to the interest rate, loan balance or loan term.

Mortgage – A conveyance of or lien against property (as for securing a loan) that becomes void upon payment or performance according to stipulated terms.

Mortgagee – The lender of money and the receiver of the security in the form of mortgage.

Mortgage Company – Mortgage companies may originate (i.e., your lender) as well as service the loan. The lender who originated your mortgage may or may not service your loan. When the mortgage company services your mortgage, they do the following: collect the homeowner’s mortgage payments, pay taxes and insurance, generally manage your escrow accounts (i.e., they “Service” your loan), and provide customer service and support.

Mortgage Insurance – Insurance that protects the mortgage company against losses caused by a homeowner’s default on a mortgage loan. Mortgage insurance (or MI) typically is required if the homeowner’s down payment is less than 20% of the purchase price.

Mortgage Modification – A process where the terms of a mortgage are modified outside the original terms of the contract agreed to by the lender and borrower (i.e. mortgagor and mortgagee). In general, any loan can be modified to the benefit of the borrower in one or more of the following ways:

1. Reduction in interest rate, or a change from a floating to a fixed rate, or in how the floating rate is computed
2. Reduction in principal
3. Reduction in late fees or other penalties
4. lengthening in loan terms
5. capping the monthly payment to a percentage of household income

The borrower can be current, late, in default, in bankruptcy, or in foreclosure at the time the application for modification is made. The programs available will vary accordingly.

Mortgagor – The borrower in a transaction where the real property is used as security for the loan.

Motion for Relief (MFR) – Motion filed by an attorney requesting from a bankruptcy court the removal of a secured lender from the bankruptcy usually for the reason of not being paid.

Named Insured – Individual or entity named as a beneficiary on an insurance policy.

National Reia – National Real Estate Investor Association**.**

Non-Traditional Assets – Assets other than stocks or bonds, such as notes, tax liens, etc.

No-Response Card – Postcard or note sent to a borrower when they're not responding to other attempts of contact indicating a willingness to help prior to taking further legal action.

Notary - One who is legally authorized to administer oaths, draw up legal papers. A government appointed officer who has the authority to take the acknowledgments of persons executing or signing documents and a party who signs the certificate and affixes an official seal. A bonded officer licensed by the state to acknowledge and attest to the validity of others. Notarized signatures are required of the general public of any documents that individuals record in order to prevent the perpetration of fraud by forgery.

Note (Secured) – Notes are "secured" by the recordation of the loan in a document known as a mortgage or a deed of trust. These documents are recorded as being liens against the property. The purpose of recording these liens is twofold. First, they establish the priority of the lien, and second, they put the public on notice that the lien exists. In this manner, a prospective lender can determine the potential priority of lien of any proposed financing. A typical condition of any loan commitment is the payment in full and discharge of any and all prior liens before, or simultaneous with, the recordation of the new loan.

Note (Unsecured) - No collateral or equity backing the original promissory note.

Notesmith – Payment Accounting and Billing software used to service loans.

Notice of Default - a formal written notice to a borrower that a default has occurred and that legal action may be taken.

Note Sale Agreement (NSA) – Document used when purchasing a note.

Non-Performing Loan – A loan that is in default or close to being in default. Many loans become non-performing after being in default for 3 months, but this can depend on the contract terms.

Obligee – A person to whom a legal obligation or duty is owed; for example, the payee of a note.

Obligor – A person who has placed himself under a legal obligation; for example, the maker of a note.

Operating Agreement – Legal document containing the terms and agreements for operating a corporation.

OPM – Other People's Money.

Owner Financing - a property purchase transaction in which the property seller provides all or part of the financing.

PACER – A fee based website containing Bankruptcy information that's public record.

Paper – Any form of promissory note. Paper may be unsecured or it may be secured by real property or personal property.

Payee – A person to whom a note states is payable.

Payment Status – The status of a loan. For example, current, late or past due, delinquent, active foreclosure, etc.

Payoff - Payoff Statement. The document signed by a lender indicating the amount required to pay a loan balance in full and satisfy the debt; used in the settlement process to protect both the sellers' and the buyers' interests. Also called a reduction certificate.

Payor – A person who signs a note agreeing to pay it.

Performing Loan – A loan on which payments of interest and principal are less than 90 days past due.

“Phantom Appreciation” or Upside Potential – When a “partial equity’ loan is purchased at a discount and the equity in the underlying collateral increases enough to back the “face value” of the note.

Pledge & Security Agreement – is a property interest created by agreement or by operation of law over assets to secure the performance of an obligation, usually the payment of a debt. It gives the beneficiary of the security interest certain preferential rights in the disposition of secured assets. Such rights vary according to the type of security interest, but in most cases, a holder of the security interest is entitled to seize, and usually sell, the property to discharge the debt that the security interest secures.

Pool Buyer – Buyer of a large quantity of loans.

Portal - Access to a pool of loans and corresponding data on the note seller’s database.

PPM - Private Placement Memorandum. Often used to raise private money so as not to violate any securities’ laws.

Power of Attorney – An instrument authorizing a particular agent, called an attorney in fact, to act for a principal.

Prepayment – To pay off all or part of a debt before it is due.

Pre-Paid Legal Services – Access to professional legal counsel not only for traditional legal problems but for everyday events such as buying a house or a car, creating a will, or handling a problem with an insurance company. Legal insurance service.

Pre-payment Penalty - a fee that may be charged to a borrower who pays off a loan before it is due.

“Private” Note – Note originated by someone other than a financial institution or bank.

Private Placement – Raising of capital via private rather than public placement. The result is the sale of securities to a relatively small number of investors.

Proof of Claim - A document, filed with the Bankruptcy Court, and used to substantiate the claim of a creditor. It is generally filed by a creditor, and it may determine if an unsecured creditor will be paid, and the amount of such payment. In the case of a secured creditor, the failure to file a Proof Of Claim generally may not affect that creditor's security interest in the collateral.

Public Records – the records which by law give constructive notice to all of matters relating to land.

Quit Claim Deed – A conveyance by which a grantor transfers whatever interest he has in a property, without warranties or obligations.

Reaffirmed & Not-reaffirmed - This is in reference to a mortgage lien that's part of a bankruptcy. If the lien is reaffirmed that means the borrower acknowledges the responsibility for the debt, and the lender can pursue the homeowner in the event of a default. If the borrower does not reaffirm the lien, then the lender can only go after the property, and not the individual, in the event of a default.

Receivership Assets - The office and functions pertaining to a receiver under appointment of a court. Of recording a document that acknowledges the full repayment of the debt and which discharges the lien of a mortgage or trust deed. Also known as Satisfaction of a Mortgage.

Recorders' Office – The location of local government employees whose role it is to keep records of all real estate transactions within the jurisdiction.

"Recoverable or targeted" revenue – The amount of money or revenue that is expected to be generated from an individual note or pool of notes at the time of due diligence or purchase.

Redemption – the regaining of title to real property after a judicial foreclosure sale, usually in a specified time period that is state specific.

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.

"Rehab a Note" – To take a non-performing note and make it performing, usually through a workout with the borrower.

Reinstatement – The process of remedying a default so that a lender will view loan as current.

REO - Real Estate Owned, usually by a financial institution or lender after a foreclosure or "deed in lieu" situation.

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.

Re-Performing Note - This is a note that was "non-performing" and is now "performing" (rehabbed note).

Retainer – The fee paid to anyone to retain their services.

RESPA (Real Estate Settlement Procedure Act) – RESPA requires that borrowers receive disclosures at various times. Outline lender servicing and escrow account practices and describe business relationships between settlement service providers.

RESPA Letter – Also known as a "hello" or "goodbye" letter, that's required to be sent to the borrower by the previous lender and the new lender whenever a loan and mortgage is sold or transferred. This letter notifies the borrower and gives them important contact information of the new loan servicer.

Rollover – A mortgage or loan that at its termination can be rewritten or renewed and whose terms may be changed with each rollover period.

ROR (Rate of Return) – Also known as ROI (Return of Investment), ROP (Rate of Profit) or sometimes just return, is the ratio of money gained or lost, (whether realized or unrealized), on an investment relative to the amount of money invested.

Satisfaction Piece – the document that is recorded in a satisfaction. An act of recording a document that acknowledges the full repayment of the debt and which discharges the lien of a mortgage or trust deed. Also known as Satisfaction of a Mortgage.

Self Directed IRA – An IRA that requires the account owner to make investment decisions and investments on behalf of the retirement plans. IRS regulations require that either a qualified trustee or custodian hold the IRA assets on behalf of the IRA owner. Generally the trustee/custodian will maintain the assets and all transactions and other records pertaining to them, file required IRS reports, issue client statements, assist in helping clients understanding the rules and regulations pertaining to certain prohibited transactions and perform other administrative duties on behalf of the Self-Directed IRA owner for the life of the IRA account. Self-Directed IRA accounts are typically not limited to a select group of asset types (e.g., stocks, bonds, and mutual funds), and most truly Self-Directed IRA custodians will permit their clients to engage in investments in most, if not all, of the IRS permitted investment types (an almost unlimited array of possibilities including foreign real estate). Some of the additional investment options permitted under the regulations include, but are not limited to, real estate, stocks, mortgages, franchises, partnerships, private equity and tax liens.

Servicer – Party that collects principal and interest payments when mortgages or other assets are securitized and sold to investors.

Short Sale – A Type of pre- foreclosure sale in which the mortgagee agrees to let you sell the property for less than the full amount due, and accept the proceeds as payment in full. The sale of the property at a fair market price that is lower than the loan balance(s).

Senior Lien – Any lien or mortgage having claim before any other lien or mortgage.

Subscription Agreement – An application by an investor wishing to join a limited partnership. The application is reviewed by the partnerships members before being approved to ensure that the investor has proper funding and meets specific requirements. The agreement sets forth the terms under which the investor will be bound if accepted.

Sub Performing Note – A loan is making payments but not the full principal and interest payments that the Mortgage Note demands. Many investors also classify a loan as sub performing even if monthly payments are current but when the loan to value ratio or other primary value indicator is such that it is unlikely that the loan will be unable to pay off in full at maturity.

Subpoena – A writ issued by court authority to compel the attendance of a witness at a judicial proceeding, disobedience may be punishable as a contempt of court.

Subrogation - the act of substituting of one creditor for another.

Sweat Equity – contribution to the construction or rehabilitation of a property in the form of labor or services rather than cash.

Tape – A Large group of loans

Tax Lien – (A) A claim against a property which may be sold by the taxing authority arising out of non-payment of taxes. (B) An encumbrance placed upon the property as a claim for payment of a tax liability. A tax lien may be imposed for failure to pay city, county, estate, income, payroll, property, sales, or school taxes. Tax liens and assessments take priority over most, if not all other liens.

Title – The documented evidence that a person or organization has ownership of real property.

Tranche – A pool of Loans.

Transaction Fees – Fees charged to complete a transaction. For example, Realtor fees, mortgage fees, title fees, attorney fees, transfer tax, etc.

Transactional Funding – Short term funding used to facilitate a double closing usually on the same day.

Trustee – A person or corporation who manages the investments of a trust on behalf of the trust beneficiary. Trustees must act in accordance with the investment objectives set by the trust. They may not share in any profits in the trust account, but they may charge a reasonable fee for their services.

Underground Borrower – Is a borrower who will not respond to their creditor or lenders' attempts to contact them.

Unpaid Principal Balance – You want to know your unpaid principal loan balance that is remaining after you make your first payment, it is easy to compute. First, take your principal loan balance of $100,000 and multiply it times your 6% annual interest rate. The annual interest amount is $6,000. Divide the annual interest figure by 12 months to arrive at the monthly interest due. That number is $500. Since your December 1 amortized payment is $599.55, to figure the principal portion of the payment, you would subtract the monthly interest number ($500) from the principal and interest payment ($599.55). The result is $99.55, which is the principal portion of your payment. Now, subtract the $99.55 principal portion paid from the unpaid principal balance of $100,000. That number is $99,900.45, which is the remaining unpaid principal balance as of December 1. You now know that your principal balance after your December payment will be $99,900.45. To figure your remaining balance after your January 1 payment, you will compute it using the new unpaid balance: $99,990.45 x 6% interest = $5994.03 / by 12 months = $499.50 interest due for December. Your January payment is the same as your December 1 payment because it is amortized. It is $599.55. You will subtract the interest due for December of $499.50 from your payment. That leaves $100.05 to be paid to principal on your loan.

"Upside Down or Under Water" – Usually refers to a secured loan or mortgage that doesn't have sufficient equity to fully secure the property or note.

Velocity of Money – How quickly an investor can turn their money. How fast you can get in and out of a deal. Trading "time for money"

Voluntary Conveyance – The transfer of title from a homeowner to the mortgage company to satisfy the mortgage debt and avoid foreclosure, also called a "Deed-In-Lieu of Foreclosure."

Waiver of Lien – Legal document that releases the assets or property of the waiver from all Claims of the waiver issuer.

W-9 – Form used to obtain a tax identification number for an individual or entity.

Wiped – Means your lien was extinguished at a foreclosure sale due to insufficient proceeds to cover your position.

Workout – A workout can be a variety of negotiated agreements you might arrange with creditors to address a debt that you are having trouble paying. Most commonly, a workout is devised between a mortgage, and a mortgagor to restructure or modify a loan to avoid foreclosure.

*****All information in this course is deemed to be accurate, but is not guaranteed*****