

Glossary of Terms - Assets, Downpayment, Funds to Close, Reserves

Agency	Term	Definition
FHA	Abatement	A diminution, decrease or easing of something. Abatement refers to a reprieve from or reduction in a debt, tax or other payment obligation faced by an individual or company. In Real Estate, tax abatement is used by cities as an incentive to encourage the redevelopment of distressed areas by providing real property tax abatement for 10 or 15 years
FHA	Bridge Loan	A Bridge Loan is a type of short-term loan, typically taken out for a period of 2 weeks to 3 years pending the arrangement of larger or longer-term financing. A bridge loan is interim financing for an individual or business until permanent financing or the next stage of financing is obtained. Funds from the new financing are generally used to pay off the bridge loan and other costs that are associated with the bridge loan.
FHA	Private Savings Plan	Private Savings Club refers to a non-traditional method of saving by making deposits into a member-managed resource pool
Conventional	501(c)3	Letter from IRS showing organization's status as a nonprofit agency
Conventional	Automated Clearing House (ACH)	An electronic drafting system that debits (or credits) an authorized bank account and electronically transfers funds to (or from) another designated account.
Conventional	ADDI	American Dream Down-payment Initiative.
Conventional	AHP/AHOP	Affordable Homeownership Program or Affordable Housing Opportunity Program.

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Conventional	AMI	<p>The area median income (AMI) is a statistic generated by the U.S. Department of Housing and Urban Development (HUD) for purposes of determining the eligibility of applicants for certain federal housing programs.</p> <p>Household income is a measure of current private income commonly used by the United States government and private institutions. To measure the income of a household, the pre-tax money receipts of all residents over the age of 18 over a single year are combined. Most of these receipts are in the form of wages and salaries, but many other forms of income, such as unemployment insurance, disability, child support, etc., are included as well. The residents of the household do not have to be related to the householder for their earnings to be considered part of the household's income. As households tend to share a common economic fate, the use of household income remains among the most far and widely accepted measures of income. However, the size of a household, which is commonly not considered, creates significant distortions which offset gains or decreases in household income and makes direct comparisons between quintiles impossible.</p>
Conventional	BMR- Below Market Rate	<p>Program in which city reaches an agreement with a developer to sell a certain number of new developed properties to income eligible borrowers for a reduced (Below Market) price.</p>
Conventional	Bond Program	<p>A bond program sells bonds and uses the funds to provide first and sometimes second mortgages to eligible borrowers. Lender participation is required. These are specific to state, county and local government programs.</p>
Conventional	CalHFA/ California Housing & Finance Agency (or Authority)	<p>California Housing & Finance Agency (or Authority) Disburses funds to a number of government and nonprofit agencies for DPA. Each program participant develops their own guidelines for their agency; therefore each program must be reviewed individually</p>
Conventional	CASA	<p>Community Activity-Set Aside Program.</p>

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Conventional	CASA Home Loan™	Community Assisted Shared Appreciation Loan that requires shared appreciation payback when home is no longer primary residence.
Conventional	CDBG	Community Development Block Grant.
Conventional	CDC/ Community Development Corporation	Community Development Corporation; is a broad term referring to not-for-profit organizations incorporated to provide programs, offer services and engage in other activities that promote and support a community
Conventional	CDD	Community Development Department.
Conventional	CHDO	Community Housing Development Organizations
Conventional	CHIP	Community Housing Improvement Program.
Conventional	Community Second	Community Seconds allows a borrower to obtain a second lien mortgage that typically is funded by a federal, state, or local government agency, an employer, or a nonprofit organization and may be forgiven.
Conventional	Cryptocurrency	A cryptocurrency is a digital or virtual currency that uses cryptography for security. A cryptocurrency is difficult to counterfeit because of this security feature. A defining feature of a cryptocurrency, and arguably its most endearing allure, is its organic nature; it is not issued by any central authority, rendering it theoretically immune to government interference or manipulation. Source: Investopedia
Conventional	Custodial account	A bank account that a lender must establish to hold the funds of others—the borrower and Fannie Mae—as opposed to any account established to hold the lender’s corporate funds.
Conventional	DAP	Down-payment Assistance Program
Conventional	Deed Restriction	Based on the program the property may file a deed restriction in lieu of the note/mortgage. Deed Restrictions in the context of a community second generally restrict use of property (must be primary residence) and resale price.
Conventional	Default	In a Community Second or retention agreement default is meant that the borrower does not meet their guidelines by either - not living in the home as their primary residence, as well as failure to pay the first mortgage, taxes etc. This can trigger the default clause in the note and required payments to be required.

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Conventional	Deferred Payments	Based on the program payments are deferred for a certain period of time based on the program guidelines. Payments can be deferred for the entire terms of the loan as long as the borrower does not default on the loan.
Conventional	Demand deposit account	A bank account in which the funds are available for withdrawal at any time without penalty.
Conventional	DOT	Deed of Trust aka Mortgage
Conventional	DPA	Down-payment Assistance
Conventional	EAH	Employer Assisted Housing
Conventional	Earnest Money Deposit	A deposit submitted with a purchase offer to show that the buyer's offer is being made in good faith
Conventional	EIN	Employer Identification Number, all companies have an EIN, it is found on their W-9 if they are a business or government agency, or 501(c)3 letter if they are a nonprofit agency.
Conventional	Employer-Assisted Housing	Any mortgage for which a borrower's employer is either offering mortgage payment assistance or providing down payment or closing costs assistance (through a grant, an unsecured loan, or a secured subordinate mortgage).
Conventional	Fannie Mae Checklist for Community Seconds	Checklist of items to determine eligibility for Community Second Programs for FNMA
Conventional	FEIN	Federal Employer Identification Number
Conventional	FHLB	Federal Home Loan Bank - considered a government agency by HUD
Conventional	FLHOP	Florida Housing Opportunities Program
Conventional	First Time Homebuyer	A Borrower who has not owned a home in the past 3 yrs, or qualifies as a displaced homemaker per HUD
Conventional	Forgivable Period	The length of time a borrower must remain in the property as their primary residence in order for the loan to be forgiven. No payments (unless otherwise noted) must be made during this period.
Conventional	Freddie Mac Affordable Seconds	Approved secondary financing loans that can come from any duly authorized authority or agency of the federal, State, local or municipal government, a nonprofit community or religious organization, the borrower's employer, or a regional Federal Home Loan Bank under one of its affordable housing programs.

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Conventional	GAP	Difference between what a borrower can afford to put down and the amount required by the lender, or a predetermined LTV by the DPA provider.
Conventional	Gift/Grant for DPA	A Gift or Grant program will require no mortgage lien or deferred payments.
Conventional	Government Agency	Any State, County, City, municipal, Federal Home Loan Bank, or Indian Tribes
Conventional	HAP	Homeowners Advantage Program or Homeowner Assistance Program
Conventional	HIP	Homeownership Incentive Program
Conventional	HOME	The HOME Investment Partnerships Program (HOME) is a type of United States Federal assistance provided by the U.S. Department of Housing and Urban Development (HUD) to States in order to provide decent and affordable housing, particularly housing for low- and very low-income Americans. It is the largest Federal block grant to States and local governments designed exclusively to create affordable housing for low-income families, providing over US\$2 billion each year. The program is commonly referred to as the Home Investment or Home Partnership Program, and is often operating in conjunction with other housing and other urban development programs, such as the CDBG program. Its federal identification number, or CFDA number, is 14.239.
Conventional	HOP	Homeowners Opportunity Program
Conventional	HOPE (for Homeowners)	Homeownership Preservation Subsidy Program- Not a DPA program, this is a workout program for delinquent mortgagees.
Conventional	HUD Description of "Soft or Silent Second"	Any financing (other than the FHA-insured first mortgage) that creates a lien against the property is considered secondary financing and not a gift, even if it is a "soft" or "silent" second (which has no repayment provision) or has other features forgiving the debt.
Conventional	HUD Nonprofit Agency Roster	Nonprofit agencies approved for community seconds by HUD, divided into four regions. For FHA loans, non-profit agencies that provide secondary financing must be approved by the appropriate regional loan center."

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Conventional	IDA	An Individual Development Account (IDA) is a matched savings account that enables low-income families to save, build assets, and enter the financial mainstream. IDAs supplement the savings of low-income households with matching funds drawn from a variety of private and public sources. The borrower's funds are listed as assets, and the matching funds are true gift funds. There can be no cash back to borrower when using these funds.
Conventional	Indian Tribe	Indian tribes are considered an instrumentality of government as a sovereign nation.
Conventional	Instrumentality of Government	In order to be considered an instrumentality of government the nonprofit must be an entity "established by a governmental body or with governmental approval or under special law to serve a particular public purpose or designated by law (statue of court opinion.)
Conventional	Interested Party Contributions	Costs that are normally the responsibility of the property purchaser that are paid (directly or indirectly) by someone else who has a financial interest in, or can influence the terms and the sale or transfer of, the subject property. These persons or entities include, but are not limited to, the property seller, the builder/developer, and the real estate agent or broker (or an affiliate who may benefit from the sale of the property and/or the sale of the property at the highest price possible).
Conventional	Lender Participation	Any lender participation required by the program would require the broker/correspondents approval for participation.
Conventional	MALP	Mortgage Assistance Loan Program
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Conventional	MAP	Mortgage Credit Certificate - these are not gift/grants/or Community Seconds.
Conventional	Minimum Borrower Contribution	The minimum borrower contribution is an amount of funds described as a percentage that is generally required to be paid toward the down payment, closing costs, and financial reserves. The contribution may be required from the borrower's own funds or in some cases from other eligible sources of funds.
Conventional	Net Worth	The value of all of a company's (or individual's) assets—including cash—less its total liabilities. It is used to indicate financial strength
Conventional	NHS	Neighborhood Housing Services

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Conventional	Non-Profit Agency	A non-profit organization (abbreviated NPO, also not-for-profit) is an organization that does not distribute its surplus funds to owners or shareholders, but instead uses them to help pursue its goals. Examples of NPOs include charities (i.e. charitable organizations). For Fairway purposes an IRS designated 501(c)3 letter
Conventional	NSP	Neighborhood Stabilization Program. This is part of the stimulus program that provides funds to government agencies and nonprofits to help reduce the number of foreclosed properties. Funds can only be used for the purpose of buying and/or renovating a foreclosed property
Conventional	PIN	Police In Neighborhood
Conventional	Programs of HUD	Link to HUD programs available (133 pages)
Conventional	Retention Agreement	A retention agreement is filed in lieu of a note and Deed of Trust/Mortgage to assure borrower remains in property as principle residence for a specified period of time. It is still considered a lien on the property and loans with a retention agreement filed are still considered a Community Second and not a gift/grant
Conventional	Seller Funded DPA	Not allowed. Seller or any party who benefits monetarily from the transaction - reimburses the "gifting" agency the funds.
Conventional	Shared Appreciation	In lieu of interest paid on the loan when second lien is paid off an "equity share" is paid to the lien holder. An Agency may not charge interest and still get shared appreciation. This may not exceed the percentage of assistance toward the purchase price originally given. (If 10% of purchase price was given as DPA then no more than 10% of shared equity, plus the original loan amount may be required to be paid when loan is due.) Second lien holder may not charge interest and equity share.
Conventional	Shared Equity Mortgage	In lieu of interest paid on the loan when second lien is paid off an "equity share" is paid to the lien holder. This may not exceed the percentage of assistance toward the purchase price originally given. (If 10% of purchase price was given as DPA then no more than 10% of shared equity, plus the original loan amount may be required to be paid when loan is due.) Second lien holder may not charge interest and equity share.
Conventional	SHIP	State Housing Initiatives Program

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Conventional	Silent Second	FHA refers to silent seconds as seconds with no repayment provision or a second having other forgivable features. The term "silent second" is used most frequently to describe self-serving or perhaps fraudulent schemes where house sellers accept second mortgages as part of a sale transaction, without the full knowledge of the first mortgage lender. The "silence" refers to the absence of full disclosure to the first mortgage lender.
Conventional	Soft Second	Same as Community Second, the term is typically used in the Eastern United States.
Conventional	Special Deposit Account	An account that is established for renovation mortgages to hold the funds needed for the renovation work so they can be disbursed from time to time as particular portions of the work are completed.
Conventional	Trade Equity	Equity that results from a property purchaser giving his or her existing real property as trade as all or part of the down payment for the property that is being purchased.
Conventional	WISH	Workforce Initiative Subsidy for Homeownership
USDA	Closing Costs	Various fees required to conclude a real estate transaction
USDA	Concessions	Benefits or discounts given by the seller of a property to help close a sale. Common concessions include closing costs, pre-paid costs on behalf of the buyer, down payment assistance, costs for repairs. See also "seller concessions"
USDA	Down Payment	The amount of cash a borrower may need to put up in order to buy a piece of property; equal to the purchase price minus the amount of any mortgage loans used to finance the purchase.

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USDA	Down Payment Assistance (Click on the Blue Down Payment Assistance link for Glossary of DPA Terms)	<p>City, County, and in some cases State down payment assistance (DPA) programs may be originated in conjunction with one of the approved investors below. Funds obtained from a DPA program can be used for downpayment and/or closing cost assistance as long as all applicable guidelines as set forth by the agency/product are adhered to.</p> <p>The most common types of DPAs:</p> <ul style="list-style-type: none"> • Grant - A Grant is any amount of assistance given by the City, County, State Housing Agency, Government Instrumentality or Non Profit entity, to assist with closing cost and/or down payment assistance towards the purchase of a home. The assistance does not have to be repaid by the borrower. However, borrower must qualify with the entity for the funds. • Forgivable second - A forgivable second does not require assistance provided for closing cost and/or downpayment to be repaid as long as the buyer/borrower resides in the property as their primary residence for the agreed upon time as outlined in the Promissory Note or Program guidelines. For example, a 5yr, \$5,000 forgivable second may be forgiven at 20% a year and after year 5 the borrower would not have to pay any of the funds back. (e.g. 1yr = \$1000). • Deferred second - A deferred second MUST be paid back when the loan term is over, or if the contract has been breached as outlined in the stated terms or Promissory Note. • Second lien – Payments begin immediately
USDA	Earnest Money	A sum of money given to bind a sale of real estate, to assure payment or an advance of funds in the processing of a loan; a deposit.
USDA	Electronic Funds Transfer (EFT)	The Debt Collection Improvement Act of 1996 (DCIA) required the use of electronic funds transfer (EFT) for most Federal payments by 1999. The law itself defines the term "electronic funds transfer" as an instruction to a "financial institution" to credit or debit an "account." These are also referred to as electronic payments.
USDA	Gift Letter	A letter certifying to the underwriter that funds in an applicant's account are truly a gift and need not be repaid.
USDA	Net Family Assets	The value of assets available to a household that could be used towards housing costs. Net family assets are considered in the calculation of annual income and are used to determine whether the household must make additional cash contributions to improve or purchase the property

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USDA	Net Worth	The value of all assets, including cash, less total liabilities. Often used as an underwriting guideline to indicate credit worthiness and financial strength.
USDA	Seller Concessions	Sales concessions influence the price paid for real estate. Sales concessions may be in the form of loan discount points, loan origination fees, interest rate buy downs, closing cost assistance, payment of condominium fees, builder incentives, down payment assistance, repairs or repair credits given by the seller or any other party involved in the transaction.
USDA	Verification of Deposit (VOD)	A form that requests and secures verifications of amounts on deposit at financial institutions. When a depository institution is also the applicant's creditor, the VOD verifies the obligation