



Agyrtis Lending  
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## Agyrtis Lending Terms and Definitions

**1031 Exchange:** This allows for the seller of an investment property to defer paying capital gains by using the proceeds from that property to buy a replacement investment property.

**Amortization:** Loan payments by equal periodic amounts calculated to pay off the debt at the end of a fixed period, including accrued interest on the outstanding balance.

**Amortized Loan:** A loan to be repaid, by a series of regular installments of principal and interest, that are equal or nearly equal, without any special balloon payment prior to maturity.

**Anniversary Date:** The date upon which the twelfth payment is due. This occurs in the same calendar month and day each year thereafter on any MOP Promissory Note.

**Annual Percentage Rate (APR):** A percentage rate that reflects the amount of interest earned or charged.

**Applicant:** An eligible Appointee or individual eligible to apply for a loan under the Loan Program.

**Application/Needs Checklist:** An itemized list of documentation that the borrower needs to provide to the Loan Originator for either pre-approval or loan approval.

**Appraised Value:** The dollar value assigned to a single-family residence by an appraiser approved by the Lender.

**After Repair Value:** The value and or estimate of value of the property after all repairs have been completed.

**Automated Clearinghouse (ACH):** An electronic funds transfer network that enables direct money transfers between participating bank accounts and lenders. This feature is available only to borrowers who are not currently on active payroll status.

**Balloon Payment:** An installment payment on a promissory note - usually the final one for discharging the debt - which is significantly larger than the other installment payments provided under the terms of the promissory note.

**Beneficiary:** The lender on the note secured by a deed of trust.

**Borrower:** An eligible person as specified in an executed document, who will be primarily responsible for the repayment of a Program loan.



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**Bridge Loan:** A temporary loan, usually less than 12 months, provided to a borrower when the net proceeds from a sale of a prior residence are not available for the purchase of a new home. It is intended that a bridge loan will be paid off with the net proceeds from the prior residence's sale.

**CAP Rate:** The ratio of net operating income (NOI) to property value or sales price.  $\text{cap rate} = \frac{\text{net operating income}}{\text{property value}}$  In other words, this ratio is a straightforward way to measure the relationship between the return generated by the property and the price of it.

**Close of Escrow:** The meeting between the buyer, seller and lender (or their agents) where the property and funds legally change hands.

**Certification of Eligibility:** Form signed by campus representative certifying that the applicant is eligible for Program participation and the amount of the loan allocation.

**Community Property:** Property acquired by a married couple, or either spouse in a married couple, during marriage, when not acquired as the separate property of either.

**Co-Borrower:** Any individual who will assume responsibility on the loan, take a title interest in the property and intends to occupy the property as their primary residence.

**Co-Signer:** Any individual who will assume responsibility on the loan, but who will not take a title interest in the property nor occupy the property.

**Curtailment:** An additional payment made to reduce the principal balance of a loan.

**Current MOP Rate:** MOP rate currently in effect for Program loans. The "locked-in" MOP rate will be the Program rate in effect at the time of loan commitment. Also known as the Standard Rate.

**Date of Recordation:** The date on which a deed of trust is officially entered on the books of the county recorder in the county in which the property is located.

**Deed of Trust:** A security instrument, used in place of a mortgage, conveying title in trust to a third party covering a particular piece of property. It is used to secure payment of a promissory note.

**Default:** Failure to fulfill a duty or promise as specified in the Promissory Note and/or Deed of Trust.

**Deferred Payment Loan:** A loan which allows the borrower to defer all the monthly principal and interest payments until the maturity date of the promissory note, at which time the outstanding principal loan balance and all accrued interest is due and payable.



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**Down payment:** The difference between the purchase price of real estate and the loan amount. The borrower is responsible for providing the funds for the down payment.

**DSCR:** The debt service coverage ratio (DSCR) is an accounting ratio that measures the ability of a business to cover its debt payments. The DSCR is frequently used by lending institutions as part of their due diligence during the lending process to see how well a business can pay its current debt and if it's in a position to take on additional debt. Generally, a ratio of 0.4 – 40 percent – or lower is considered a good debt ratio. A ratio above 0.6 is generally considered to be a poor ratio, since there's a risk that the business will not generate enough cash flow to service its debt

**Employee:** An Appointee who has actively begun to serve in his or her full-time position.

**Equity:** The difference between the fair market value of a property and the current indebtedness secured on the property.

**Escrow:** A situation in which a third party, acting as the agent for the buyer and the seller, carries out the instructions of both and assumes the responsibilities of handling all the paperwork and disbursement of funds at settlement or at closing.

**Escrow Holdback:** Funds retained by the escrow company after the close of escrow until repairs and/or required termite work has been completed.

**Evidence of Insurance:** Written documentation from a hazard insurance company that a homeowners' policy is in existence on a property. Typically, this is NOT an insurance policy, but a commitment from the insurance company to provide a policy for a specific property at a specific time and premium amount

**Final Settlement (or Closing) Statement:** A financial disclosure giving an accounting of all funds received and disbursed at loan closing. Also known as HUD 1 Closing Statement.

**Fiduciary/Surrogate:** Real property may be sold by a fiduciary, if approved by Surrogate's Court, when necessary to pay administration and funeral expenses, debts existing at decedent's death, estate taxes, distributions to beneficiaries, and for any other purpose the court deems necessary (see SCPA 1902).



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**Graduated Payment Mortgage:** The Graduated Payment Mortgage (GP-MOP) is an alternative loan product under the Mortgage Origination Program (MOP) that results in an initial lower interest rate (Borrower Rate) than the most recently published MOP rate (Standard Rate). The initial Borrower Rate is stated as a percentage below the Standard Rate, subject to a 3.25% minimum rate. The stated reduction in the Standard Rate is known as the Interest Rate Differential. The Interest Rate Differential is established to decrease annually between 0.25% to 0.50% until such time as the Borrower Rate equals the Standard Rate.

**Gross Monthly Income:** The monthly salary amount before taxes, withholdings, and expenses.

**Hazard Insurance:** A contract where an insurer, for a premium, undertakes to compensate the insured for loss on a specific property due to certain hazards. (See Homeowner's Insurance Policy).

**Home Improvement:** Repairs and/or additions made to better the status of the permanent structure of the primary residence.

**Home Loan Coordinator/Originator:** This individual serves as the primary contact for loan applicants.

**Homeowners Association:** An organization of homeowners residing within a particular development whose major purpose is to maintain and provide community facilities and services for the common enjoyment of the residents.

**Homeowner's Insurance Policy:** An insurance policy available to owners of private dwellings that covers the dwelling and contents in the case of fire, wind damage, theft, and, personal liability. The typical policy does not include flood or earthquake coverage.

**Impound:** That portion of the mortgagor's monthly payments held by the lender to pay for property taxes or hazard insurance premiums as they become due.

**Inspection Reports:** Reports ordered by the borrower to assess the quality of the home. Typically, this includes a Termite Report and "whole house" inspection. Other reports that may be ordered include roof, foundation, geological, and, septic tank inspections.

**Interest:** Consideration in the form of money paid for the use of money, usually expressed as an annual percentage. Also, a right, share or title in property.



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**Interest-Only Payment Loan:** A non-amortizing loan in which the lender receives interest during the term of the loan and principal is repaid in a lump sum at maturity.

**Interspousal Transfer Deed:** A deed between two married individuals that relinquishes all, or a portion of, the interest, title, or claim in a property by the grantor. Also known as Quit Claim Deed.

**IRS 1098 Mortgage Interest Statement:** A statement provided by the lender to the borrower indicating the total amount of interest paid by the borrower for a given calendar year.

**Joint Tenancy:** Joint ownership by two or more persons giving each tenant equal interest and equal rights in the property, including the right of survivorship.

**Lender's Escrow Instructions:** Instructions produced by the Office of Loan Programs for an escrow or title company detailing the documentation and procedures required before a loan is funded.

**Loan-to-Value (LTV) Ratio:** The ratio of the principal balance of a mortgage loan to the value of the securing property, as determined by the purchase price or Appraised Value, whichever is less.

**Loan Commitment:** A loan commitment letter (also known as "loan approval") issued by the Office of Loan Programs (OLP) committing to the funding of a Program loan for a specific borrower and property. A loan commitment letter will only be issued after OLP's satisfactory review of all property documentation (i.e. purchase contract, property appraisal, inspections, etc.) and will state the approved loan amount, initial interest rate and loan term. The letter will also require that certain conditions are met prior to loan funding. The initial interest rate specified will be the Program rate in effect at the time a loan commitment is issued. A loan commitment expires within 60 days of date issued.

**Loan Denial letter:** A letter from the Office of Loan Programs denying a loan to a specific individual. The reasons for denial may include credit history, lack of verifiable liquid assets, inadequate income, etc.

**Loan Underwriting:** The analysis of risk and the decision whether to make a loan to a potential homebuyer based on credit, employment, assets, and other factors.

**Loan Withdrawal letter:** A letter acknowledging that a borrower no longer wishes to pursue a loan. A loan may be withdrawn due to dissatisfaction with the property or desire to use another lender, among other reasons.



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**MAO:** Maximum Allowable Offer or MAO is a term used by real estate investors to reference the highest amount they can pay for a property and realistically expect to make a profit when the property is sold or leased to tenants. The wholesaling houses formula is one that generates the lowest offer to sellers. The lower percentage you use in the formula, the better deal you're getting. This will determine your profit. Keeping the mao for wholesale real estate in check will help you become a favorite person for your buyers to hear from.

**Mezzanine Fund:** A mezzanine fund is a pool of capital that invests in mezzanine finance for acquisitions, growth, recapitalization, or management/leveraged buyouts. In the capital structure of a company, mezzanine finance is a hybrid between equity and debt. Mezzanine financing most commonly takes the form of preferred stock or subordinated and unsecured debt. It is treated as equity on the balance sheet.

**MOP-Calculator:** A web-based calculator for potential applicants to determine whether they might meet the minimum requirements for a MOP loan.

**Mortgagee:** A lender or creditor who holds a mortgage or Deed of Trust.

**Mortgagor:** A borrower who is obligated to pay on a mortgage or Deed of Trust.

**Net Income:** The monthly salary paid to a borrower after deducting any Federal and/or State payroll taxes.

**NOI:** Net operating income (NOI) is a calculation used to analyze real estate investments that generate income. Net operating income equals all revenue from the property minus all reasonably necessary operating expenses.

**Notice of Completion:** Documentation, typically from a termite company, stating that required repairs have been completed. Sometimes called a "clear" termite report. May also refer to work completed by a contractor for other, non-termite related work done on a property.

**Overall Debt to Income Ratio:** The ratio, expressed as a percentage, which results when a borrower's total monthly debt, including the proposed mortgage principal, interest, taxes & insurance and all recurring monthly debt (such as credit card payment, student loan, mortgage, and auto loan), is divided by the gross monthly income.



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**Participant:** The term "Participant" shall mean an Appointee who has been designated as an eligible Applicant and Primary Borrower.

**Pre-approval:** Certificate of Pre-Approval issued by the Office of Loan Programs that states a borrower's credit, assets and income have been verified and the applicant qualifies for a Program loan at a specified amount and interest rate. At the time of pre-approval, the specified initial interest rate is not "locked-in" and is therefore subject to change prior to the issuance of a loan commitment letter. The initial interest rate will be the Program rate in effect at the time a loan commitment is issued.

**Preliminary Disclosures:** A generic term referring to a group of disclosure forms required by Federal law to be sent to a loan applicant. The forms include a Loan Estimate Disclosure, Fair Lending Notice, and a California Credit Disclosure.

**Preliminary Title Report:** A title search by a title company prior to issuance of a title binder or commitment to insure, required during the processing of a loan.

**Prepaid Interest:** Mortgage interest that is paid from the date of the funding to the end of that calendar month.

**Primary Residence:** A dwelling where one actually lives and is considered as the legal residence for income tax purposes.

**Principal:** The amount of debt, exclusive of interest, remaining on a loan.

**Principal and Interest to Income Ratio:** The ratio, expressed as a percentage, which results when a borrower's proposed Principal and Interest payment expenses is divided by the gross monthly household income. The maximum allowable ratio for MOP loans is 40%. Also known as P&I ratio.

**Processing:** The preparation of a mortgage loan application and supporting documents for consideration by a lender.

**Program:** The term "Program" refers to any loan made under a Lender of California Home Loan Program.

**Purchase Transaction Documents:** The aggregate term for independent third party documentation pertaining to the subject property. This includes property appraisal, termite inspection report, preliminary title report, real estate transfer disclosure, roofing, geological, foundation, septic inspections, and overall home inspection.



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**Reconveyance:** The transfer of the title of land from one person to the immediate preceding owner. This instrument of transfer is commonly used to transfer the legal title from the trustee to the trustor after a deed of trust has been paid in full.

**Refinancing:** The process of paying off an existing loan and establishing a new loan.

**Renovation:** The restoration of the primary residence. Generally, this includes repairs, improvements and additions to the permanent structure of the primary residence.

**Reserves:** Liquid or near liquid assets that are available to a borrower after the mortgage closes. Reserves are measured by the number of months of the qualifying payment amount for the subject mortgage (based on Principal & Interest) that a borrower could pay using his or her financial assets.

**Right of Rescission:** The right to cancel a contract and restore the parties to the same position they held before the contract was entered into. For a refinance transaction, a borrower has three working days from the signing of the loan documents to cancel the loan without penalties. The right to rescind does not apply to purchase transactions.

**ROI:** Return on investment is the ratio between the profits and costs of an investment. It measures how much money is made on investment as a percentage of the investment's cost. Investors use ROI to evaluate the profitability of an investment or to compare the profitability of different investments.

**Servicing:** The collection of payments and management of operational procedures related to a mortgage loan.

**Subordination Agreement:** An agreement by the holder of an encumbrance against real property to permit that claim to take an inferior position to other encumbrances against the property. The Lender may, as its option, refuse to sign a Subordination Agreement.

**Tenants in Common:** Joint ownership by two or more persons giving each tenant an interest and rights in a property, these interests need not be equal in quantity or duration.

**Title:** The evidence of the right to or ownership in property.





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**Title Insurance:** A policy, usually issued by a Title Insurance company, which insures a homebuyer and the lender against errors in the title search. The cost of the owner's policy is usually a percentage of the sales price and the lender's policy is a percentage of the loan amount.

**Trustee:** One who holds legal title to a property for the benefit of another, or for the purpose of securing performance of an obligation.