

SHORT SALE TERMS & DEFINITIONS

1099-C: 1099-C form is one sent by a creditor that lets you know it's going to write off the remaining unpaid portion of your debt. The 1099-C is filed by the creditor to the IRS when a settlement agreement between a debtor and a creditor has been reached, or when a creditor determines that a debt won't ever be paid.

Appraisal: An expert, independent estimate of the value of real estate.

BPO (Broker Price Opinion): The estimated value of a property as determined by a real estate broker or other qualified individual or firm.

Cloud on Title: Anything found by the title search, which indicates that the purported owner does not own a property free, and clear.

Comparables: Comparable properties; properties in close proximity which have sold recently that are about the same size with similar amenities, used to determine value of a property by comparison.

Debt-to-Income Ratio: The ratio (expressed as a percentage) which describes a borrower's monthly payments on a long term debts divided by their "net effective income" (for FHA and VA loans) or gross monthly income (for conventional loans).

Deed in Lieu: A deed given back to the bank by the deed holder instead of paying mortgage. The bank becomes the new owner and deed holder no longer is responsible for the mortgage.

Default: A loan is in default when the payments have not been made according to the prescribed agreement.

Equity: The value of a mortgaged property after deduction of charges against it.

Federal Housing Administration (FHA): A federal agency that insures loans made by approved lenders to qualified borrowers in accordance with its regulations.

Federal National Mortgage Corporation (Fannie Mae): A corporation chartered by Congress that purchases and sells conventional and federally insured residential mortgages.

Federal Home Loan Mortgage Corporation (Freddie Mac): A corporation authorized by Congress to purchase conventional mortgages from depository institutions and HUD-approved mortgage bankers.

Forbearance: An agreement between a mortgage holder and a borrower that lays out a specific loan payment plan and puts a stop on the foreclosure action so long as the borrower meets the terms of the agreement. The payment plan includes provisions for repayment to the mortgage holder of all delinquent

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Interest and fees and could include extending the life of the mortgage beyond its original term. A Forbearance Agreement is a tool that allows the borrower to keep the property.

Foreclosure: the process of taking possession of a mortgaged property as a result of the mortgagor's failure to keep up mortgage payments.

HUD-1 Closing Statement: An official document created by the Department of Housing and Urban Development (HUD). It shows how much the buyer and / or seller will need to bring to closing to purchase the house and how much money the seller will receive after the sale of the property.

Lien: A right to keep possession of property belonging to another person until a debt owed by that person is discharged.

Listing Agreement: A contract signed between a seller and a Realtor that defines the length of time the Realtor will advertise the seller's house and the amount of commission the Realtor will be paid for that service.

Loss Mitigation: Home mortgage lenders look to limit losses on delinquent mortgages by working out solutions with borrowers through their Loss Mitigation Departments.

Mortgage Cancellation Act of 2007: The Mortgage Debt Relief Act of 2007 generally allows taxpayers to exclude income from the discharge of debt on their principal residence. Debt reduced through mortgage restructuring, as well as mortgage debt forgiven in connection with a foreclosure, qualifies for the relief. This provision applies to debt forgiven in calendar years 2007 through 2012. Up to \$2 million of forgiven debt is eligible for this exclusion (\$1 million if married filing separately). The exclusion does not apply if the discharge is due to services performed for the lender or any other reason not directly related to a decline in the home's value or the taxpayer's financial condition.

Non-Recourse Loan: Used to finance the original purchase of real estate.

Short Sale: The sale of property for less than the amount owed to the lender(s). In the approval process, the lender(s) agree to settle the debt owed on the property and release their secured position (deed of trust) for less than the full payoff of their loan.

Title: Legal evidence of ownership of real or personal property.

Title Insurance: Insurance, usually issued by a title insurance company, which insures a homebuyer against errors in the title search. The cost of the policy is usually a percentage of the property value.