

## Glossary of Terms

### Deferred Payments

Payments that are authorized to be postponed as part of the work-around process.

### Equity

The net value of an asset. In the case of real estate, it would be the difference between the present value of the property and the mortgage amount on that property.

### Escrow

An item of value, money, or documents deposited with a third party to be delivered upon the fulfillment of a condition. For example, the deposit by a borrower with the lender of funds to pay taxes and insurance premiums when they become due, or the deposit of funds or documents with an attorney or escrow agent to be disbursed upon the closing of a sale of real estate. In some parts of the country, escrows of taxes and insurance premiums are called impounds or reserves.

### Escrow Account

The segregated trust account in which escrow funds are held.

### Escrow Analysis

The periodic examination of escrow accounts to determine if current monthly deposits will provide sufficient funds to pay taxes, insurance and other bills when due.

### Forbearance

The act of refraining from taking legal action despite the fact that the only when a mortgagor makes satisfactory arrangements to pay the amount owed at a future date.

### Foreclosure

The legal process in which a mortgaged property is sold in a legal process to pay the outstanding debt in case of default.

### Hazard Insurance

Insurance coverage which provides compensation to the insured in case of property loss or damage.

### Housing and Urban Development (HUD)

HUD is the nation's housing agency committed to increasing homeownership, particularly among minorities; creating affordable housing opportunities for low-income Americans; and supporting the homeless, elderly, people with disabilities and people living with AIDS.

The Department also promotes economic and community development and enforces the nation's fair housing laws. More information about HUD and its programs is available on the Internet at [www.hud.gov](http://www.hud.gov) and [espanol.hud.gov](http://espanol.hud.gov).

### Investment Property

A property purchased to generate rental income, tax benefits, or profitable resale rather than to serve as the borrower's primary residence.

### Investor

Any person or institution that invests in mortgages or mortgage-backed securities.

### Lender Placed Insurance

Insurance placed on a property by a lender to protect their insurable interest on collateral securing a loan.

### NeighborWorks America®

A national nonprofit organization created and supported by Congress to provide financial support, technical assistance and training for community-based revitalization efforts. MBA is a partner with NeighborWorks America, supporting a national campaign that:

- links homeowners in danger of foreclosures to a free counseling hotline (888-995-HOPE) provided by the Homeownership Preservation Foundation
- establishes foreclosure intervention programs in cities with high rates of foreclosure
- conducts a national public education campaign with the National Ad Council to improve contact rates for those homeowners in financial distress
- improves counseling capacity and provides certified training programs to foreclosure counselors.

### Repayment Plan

An arrangement by which a borrower agrees to make additional payments to pay down past due amounts while still making regularly scheduled payments.

### Servicer

A mortgage banking function which includes the receipt of payments, customer service, escrow administration, investor accounting, collections and foreclosures. Also called "loan administration".

### Work-Out

An alternative action to foreclosure for the benefit of the lender and the borrower. Includes loan modification, short sales and