

# MARYLAND HOUSING COUNSELORS NETWORK



## Glossary of Terms

**“Cash for Keys”:** A deal a lender may make with a resident (homeowner or renter). The resident gets a cash settlement in exchange for vacating the foreclosed home. If you receive a “cash for keys” offer, it is strongly advised you contact an attorney or housing counselor to protect your rights.

**Deed:** A document that legally transfers ownership of property from one person to another. The deed is recorded on public record with the property description and the owner's signature.

**Deed-in-Lieu:** To avoid foreclosure (“in lieu” of foreclosure) on a piece of property, the deed is given to the lender to fulfill the obligation to repay the debt; this process does not allow the borrower to remain in the house but helps avoid the costs, time, and effort associated with foreclosure.

**Default:** The inability to make timely monthly mortgage payments or otherwise comply with mortgage terms. A loan is considered in default when payment has not been paid after 60 to 90 days. Once in default the lender can exercise legal rights defined in the contract to begin foreclosure proceedings.

**Delinquency:** Failure of a borrower to make timely mortgage payments under a loan agreement. Generally after 15 days a late fee may be assessed.

**Equity:** An owner's financial interest in a property; calculated by subtracting the amount still owed on the mortgage loan(s) from the fair market value of the property.

**Forbearance:** A loss mitigation option where the lender agrees not to take legal action if a homeowner arranges to pay the amount owed on a mortgage by a specified date. This is a temporary option and monthly payments may increase after the forbearance period is over.

**Foreclosure:** A legal process in which mortgaged property is sold to pay the loan of the defaulting borrower. Foreclosures can also occur on property with delinquent taxes, water bills or condominium association fees.

**Housing Counseling Agency:** An agency that provides counseling and assistance to individuals on a variety of issues, including loan default, fair housing, and home purchase. To ensure you are working with a reputable, trained, not-for-profit housing counseling agency contact the MD HOPE hotline at 1-877-462-7555 for referrals.

**Interest rate:** A rate which is charged or paid for the use of money. In the case of a mortgage, interest is charged on a monthly loan payment, and expressed as a percentage.

**Investor:** The entity that actually “owns” a mortgage. The servicer is restricted on what they can do to assist homeowners because of agreements with their investors. All workout programs will have to be approved by the investor. Some servicers have models in place to ensure they only offer programs within the investors’ guidelines.

**Loss Mitigation:** The process to avoid foreclosure whereby the lender agrees to an alternative plan for a borrower who has been unable to make loan payments. Examples of loss mitigation include loan workouts or short sales.

**Loss Mitigation Affidavit:** In Maryland, no less than 45 days after the Notice of Intent to Foreclosure is mailed, lenders must either submit to the court a “Preliminary Loss Mitigation Affidavit” if they have not completed an analysis of your ability to repay the loan or a “Final Loss Mitigation Affidavit” if they have completed the analysis. Copies will also be sent to the borrower. In addition, as part of the “Final Loss Mitigation Affidavit, your lender must send you a “Request for Foreclosure Mediation” form.

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**Mediation:** Mediation is a process used to resolve disagreements outside a courtroom. Both sides meet with a neutral third party who tries to help them find a resolution. “Foreclosure Mediation” under Maryland’s new law is designed to provide a dialogue between homeowners and lenders to make sure a fair assessment is made and the homeowner is offered any loss mitigation options for which they qualify. Borrowers must choose to participate in this process by completing the “Request for Mediation Form”.

**Modification:** A loss mitigation option where the mortgage terms are adjusted to bring the loan current. A modification can lower the interest rate, extend the length of time you have to repay the loan in full, and/or change the principal loan amount.

**Notice of Intent to Foreclose (NOI):** A formal written notice to a borrower informing him/her of impending foreclosure proceedings. This Notice provides crucial information about the loan and who to contact at the servicer to pursue loss mitigation options.

**Order to Docket (OTD):** A foreclosure action required to be filed in court in order for mortgage lender to move forward with foreclosure proceedings.

**Principal:** The amount of money borrowed to buy a house, or the amount of the loan that has not been paid back to the lender. This does not include the interest paid to borrow that money.

**Refinance:** A loss mitigation option that involves paying off one loan by obtaining another; refinancing is generally done to secure better loan terms, but may not result in lower monthly payments

**Repayment Plan:** A loss mitigation option that is an agreement between a lender and a delinquent borrower where the borrower agrees to make additional payments to pay down past due amounts while making regularly scheduled payments.

**Second Mortgage:** An additional mortgage on property. In case of a default, the first mortgage must be paid before the second mortgage. If a workout is obtained on the first mortgage, the second mortgage may still enter foreclosure.

**Servicer:** The company that collects monthly mortgage payments and disperses property taxes and insurance payments. The servicer may be the same as the lender, or a specialized company that only handles loans under contract with specific lenders or investors. Servicers also contact delinquent borrowers. Sometimes referred to as just the mortgage company.

**Short Sale:** Also referred to as a pre-foreclosure sale. A loss mitigation option in which the borrower is allowed to sell a property for an amount less than what is owed on it to avoid a foreclosure. The servicer should make arrangements to forgive the difference, or set up a payment plan.

Definitions from US Department of Housing & Urban Development <http://www.hud.gov/offices/hsg/sfh/buying/glossary.cfm>

Re/Max [http://www.remax.com/documents/learningcenter/Foreclosure\\_Mortgage\\_Terms.pdf](http://www.remax.com/documents/learningcenter/Foreclosure_Mortgage_Terms.pdf)

MD Department of Housing & Community Development [http://www.dhcd.state.md.us/Website/documents/guidelines\\_Rosa\\_only.pdf](http://www.dhcd.state.md.us/Website/documents/guidelines_Rosa_only.pdf)

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