

Terms and Definitions

1003	Form 1003, Uniform Loan Application, A Loan application
1040	IRS Income Tax Return 1040, 1040A, or 1040EZ
1099	IRS Statement of Earnings given to a non-employed person
APR	Annual Percentage Rate , The “real” percentage rate on a loan considering the cost of fees and prepaid interest charged by the Lender/Broker
Buyer/Tenant	A tenant who has full intentions of purchasing a property in the near future, usually within 1-5 years.
Capital Gains/Long-term	The tax due on any gain from a sale on Real Estate owned for over 12 months, Maximum: 15% as of 2003
Capital Gains/Short-term	The tax due on any gain from a sale on Real Estate owned less than 12 months Maximum: Ordinary income tax rate
Contract for Deed	An agreement to sell a property usually with a Wrap-A-Round Mortgage, but without a Warranty Deed being recorded.
Disclosures	Essential information that an Investor should require the Seller divulge prior to Closing
DTI	Debt To Income , the percentage of monthly payments per Gross Income
DTI Income Marker	The point at which lenders consider an income producing property profitable
Full-Doc Loan	Investor must prove income, assets and net worth with required documentation
Good Faith Estimate	A statement the Investor should request that shows anticipated closing cost
HUD1	The standard Settlement Statement used in a Real Estate Closing/Purchase transaction
Interest Rate	The rate of interest used to calculate the payment on a loan, usually less than the APR
Investing, Equity Approach	Buying property 10% or more below it’s appraised value with the intension of reselling it as quickly as possible
Investing, Income Approach	Buying property at or no more than 6% below appraised value with the intension of holding the property for income for longer than 1 year
Land Trust	A legal arrangement where the buyer’s name is hidden from public view, interest is not tax deductible for the buyer, a Trustee holds title to property
Lease and Recorded Option	A method of Lease-to-Own where the Buyer/Tenant signs a one-year lease and Seller sells Buyer/Tenant an Option to Purchase and records the Option with the County of Record.
Lease with Option to Buy	A lease which gives the Tenant the option to buy the rented property
Lender/Conventional	A lender which restricts loans that conform to Fannie Mae, Ginniy Mae and Freddie Mac Underwriting guidelines, normally considered “A” Lenders
Lender/Portfolio	A situation where the Lender loans its own funds out it’s investment portfolio
Lender/Sub Prime	A Lender which makes loans that do not conform to Fannie Mae, Ginniy Mae and Freddie Mac Underwriting guidelines, usually condidered “B” and “C” Lenders
Lender/VA,FHA	U.S. Government Subsidized Lending through Banks and Brokers
LTV	Loan To Value , the percentage of the money that the lender will be willing to lend to purchase a given property
MI	Mortgage Insurance , expressed at MIP for government subsidized loans
No-Doc Loan	A loan where the Lender requires virtually no supporting documents, but charges a higher interest in most cases

PITI	An abbreviation for PRINCIPLE, INTEREST, TAXES and INSURANCE that makes up a gross monthly payment on a loan
Purchase Money Mortgage	A second mortgage that an Seller of Investor holds as down payment to assist a Buyer/Tenant purchase a home
ROI	Return On Investment , expressed as a percentage profit on the sell of Real Estate
Stated Income Loan	A loan where the Borrower does not have to prove his income but usually must have adequate credit that prompts the Lender to believe his ability to repay
Wrap-A-Around Mortgage	A mortgage payment schedule, which is paid on an amortized or interest only basis to the Seller without a Warranty Deed being recorded, usually used in conjunction with a "Contract for Deed" where the Buyer/Tenant puts down a substantial amount of money on the contract.