

FHA Single Family Housing Policy Handbook

GLOSSARY

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30-Day Account

A 30-Day Account refers to a credit arrangement that requires the Borrower to pay off the outstanding balance on the account every month.

30-Day Advance Prepayment Notice Period

The 30-Day Advance Prepayment Notice Period refers to the time requirement for the Borrower to provide advance notice to the Mortgagee for prepayment of an FHA-insured Mortgage insured prior to August 2, 1985.

90-Day Review

The 90-Day Review is a Mortgagee's required evaluation, occurring before four monthly installments are due and unpaid, of a Defaulted Mortgage for appropriate Loss Mitigation Options.

A

Acceptable Conveyance Condition

An Acceptable Conveyance Condition refers to the required condition of a Property at the time of conveyance to HUD.

Accessory Dwelling Unit (ADU)

An Accessory Dwelling Unit (ADU) refers to a single habitable living unit with means of separate ingress and egress that meets the minimum requirements for a living unit. An ADU is a private space that is subordinate in size and can be added to, created within, or detached from a primary one-unit Single Family dwelling, which together constitute a single interest in real estate.

Acquisition Cost

The Acquisition Cost is the purchase price of the Property, including closing costs, prepaid costs, and commissions, if paid by the purchaser, but not including the cost of any repairs that the purchaser makes to the Property subsequent to acquisition.

Active Duty

Active Duty refers to a status where a person has a full-time military occupation.

Adequate Vehicular Access

Adequate Vehicular Access to Property refers to an all-weather road surface over which emergency and typical passenger vehicles can pass at all times.

Adjustable Rate Mortgage (ARM)

An Adjustable Rate Mortgage (ARM) refers to a Mortgage in which the interest rate can change periodically based on an index plus a margin.

Adjusted As-Is Value (applicable to 203(k) only)

For purchase transactions, the Adjusted As-Is Value refers to the lesser of:

- the purchase price less any inducements to purchase; or
- the As-Is Property Value.

For Refinance transactions, the Mortgagee must obtain an as-is appraisal to determine the Adjusted As-Is Value when the existing debt on the Property plus the cost of repairs exceeds the After Improved Value, or the Property was acquired within 12 months of the case number assignment date.

For Properties acquired greater than or equal to 12 months prior to the case number assignment date:

- When an appraisal is obtained, the Adjusted As-Is Value is the As-Is Property Value.
- When the existing debt on the Property plus the cost of repairs does not exceed the after-improved value, the Mortgagee has the option of using the existing debt plus fees associated with the new Mortgage or obtaining an as-is appraisal to determine the Adjusted As-Is Value.

For Properties acquired within 12 months of the case number assignment date, an as-is appraisal must be obtained. The Adjusted As-Is Value is the As-Is Property Value.

For Properties acquired by the Borrower within 12 months of the case number assignment date by inheritance or through a Gift from a Family Member, the Mortgagee may utilize the calculation of Adjusted As-Is Value for Properties acquired greater than or equal to 12 months prior to the case number assignment date.

Adjusted Value (not for 203(k) Mortgages)

For purchase transactions, the Adjusted Value is the lesser of:

- purchase price less any inducements to purchase; or
- the Property Value.

For refinance transactions:

- For Properties acquired by the Borrower within 12 months of the case number assignment date, the Adjusted Value is the lesser of:
 - the Borrower's purchase price, plus any documented improvements made subsequent to the purchase; or
 - the Property Value.
- Properties acquired by the Borrower within 12 months of case number assignment by inheritance, through a Gift from a Family Member, or through a non-monetary transaction may utilize the calculation of Adjusted Value for Properties purchased 12 months or greater.

- For Properties acquired by the Borrower greater than or equal to 12 months prior to the case number assignment date, the Adjusted Value is the Property Value.

Advertising Device

An Advertising Device is a channel or instrument used to solicit, promote, or advertise FHA products or programs. Advertising Devices are present in the entire range of electronic and print media utilized by Mortgagees, including, but not limited to, websites, website addresses, business names, aliases, DBA names, domain names, email addresses, direct mail advertisements, solicitations, promotional materials, and correspondence.

Affiliate

An Affiliate is a contractor, agent, vendor, subservicer, or Sponsored Third-Party Originator (TPO) who participates in FHA programs on behalf of an FHA-approved Mortgagee.

Affordable Housing Program Plan (AHPP)

Affordable Housing Program Plan (AHPP) refers to an approved plan that is a narrative describing a nonprofit's plans to implement the Single Family nonprofit program(s) for which it is approved. The AHPP addresses how the nonprofit intends to provide affordable homeownership opportunities for Low- to Moderate-Income buyers by financing, purchasing, rehabilitating, and/or reselling homes to eligible buyers.

After Improved Value

After Improved Value refers to the value as determined by the Appraiser based on a hypothetical condition that the repairs or alterations have been completed.

Alimony, Child Support, and Maintenance

Alimony, Child Support, and Maintenance are court-ordered or otherwise agreed upon payments.

Alimony, Child Support, and Maintenance Income

Alimony, Child Support, and Maintenance Income refers to income received from a former spouse or partner or from a noncustodial parent of the Borrower's minor dependent.

Annuity Income

Annuity Income refers to a fixed sum of money periodically paid to the Borrower from a source other than employment.

Appraisal Conditions

Appraisal Conditions refer to anything the Appraiser requires to occur or be known before the value of conclusion can be considered valid.

Appraiser

Appraiser refers to an FHA Roster Appraiser who observes, analyzes, and reports the physical and economic characteristics of a Property and provides an opinion of value to FHA. An Appraiser's observation is limited to readily observable conditions and is not as comprehensive an inspection as one performed by a licensed home inspector.

Approved Condominium Project

Approved Condominium Project refers to a Condominium Project that meets FHA Condominium Project Approval requirements as determined by review under DELRAP or HRAP.

Approved Mortgage

An Approved Mortgage is a Mortgage underwritten and approved by a Direct Endorsement (DE) underwriter, or covered by a *Firm Commitment* issued by HUD.

Arm's Length Pre-Foreclosure Sale (PFS) Transaction

An Arm's Length Pre-Foreclosure Sale (PFS) Transaction is between two unrelated parties that is characterized by a selling price and other conditions that would prevail in an open market environment and without hidden terms or special understandings existing between any of the parties involved in the transaction.

Arm's Length Transaction

An Arm's Length Transaction refers to a transaction between unrelated parties who are each acting in their own best interest.

Arrearages (applicable to Servicing of forward Mortgages only)

Arrearages refer to amounts needed to bring the Mortgage current and must only include:

- for Repayment Plans, Standalone Partial Claims, and Payment Supplements, principal amounts that are past due;
- unpaid accrued interest;
- Mortgage advances for escrow items;
- projected escrow shortage amount; and
- allowable legal fees and foreclosure and bankruptcy costs for work performed for the current Default episode as of the date of the foreclosure cancellation and not higher than the fees and costs HUD has identified as customary and reasonable.

Articles of Organization

Articles of Organization refers to articles of incorporation, charter, articles of association, constitution, trust instrument, or any other written instrument by which an organization is created.

As-Is Property Value (applicable to 203(k) only)

As-Is Property Value refers to the Adjusted As-Is Value as determined by the FHA Roster Appraiser except in the case of Property Flipping.

Authoritative Copy

The Authoritative Copy refers to the controlling reference copy. The Authoritative Copy of an electronically signed document refers to the electronic record that is designated by the Mortgagee or holder as the controlling reference copy.

Authorized Third Party

Authorized Third Parties are parties who are not Borrowers on the Mortgage/Loan/HECM but who are authorized to communicate with Mortgagees/Lenders regarding a Mortgage/Loan/HECM.

Automobile Allowance

Automobile Allowance refers to the funds provided by the Borrower's employer for automobile related expenses.

B

Base Loan Amount

The Base Loan Amount is the mortgage amount prior to the addition of any financed Upfront Mortgage Insurance Premium (UFMIP). Unless otherwise stated in Handbook 4000.1, all references to maximum mortgage amount or mortgage amount shall refer to the Base Loan Amount.

Basis Point (bps)

A Basis Point (bps) is one one-hundredth of one percent.

Boarder

Boarder refers to an individual renting space inside the Borrower's Dwelling Unit. A renter of an ADU is not a Boarder.

Borrower (applicable to Title II)

Borrower refers to each and every Borrower on the mortgage application. The term Borrower does not include a Co-signer.

Borrower (applicable to HECMs only)

See **HECM Borrower**.

Borrower (applicable to Title I)

Borrower refers to one who applies for and receives a Loan insured under this part. The term may also include any co-maker or Co-signer or any assumptor who is obligated for the repayment of a loan obligation insured under this part.

Borrower (applicable to Servicing)

Borrower refers to the original Borrower who signs the Note and their heirs, executors, administrators, assigns, and approved substitute Borrowers. This includes any Borrower who is occupying or not occupying the Property.

Borrower's Advance (applicable to HECMs only)

Borrower's Advance refers to the funds advanced to the Borrower at the closing of a fixed rate HECM.

Borrower Affordability Attestation

Borrower Affordability Attestation refers to the Borrowers' affirmation that the Borrower can make the offered monthly Mortgage Payment under the Permanent Home Retention Option and they will not be eligible for another Permanent Home Retention Option, which may provide additional payment reduction, in the 24 months following the execution of the offered Permanent Home Retention Option, except for a PDMDA.

Bracketing

Bracketing refers to selecting comparable properties with features that are superior to and inferior to the subject features.

Broom-swept Condition

Broom-swept Condition is the condition of a Property that is, at a minimum, reasonably free of dust and dirt and free of hazardous materials or conditions, Personal Property, and interior and exterior debris.

Business Formation Documents

Business Formation Documents are an entity's articles of incorporation, bylaws, organization charter, operating agreement, partnership agreement, and similar documentation.

Business Relationship

Business Relationship refers to an association between individuals or companies entered into for commercial purposes.

C**Cash for Keys**

Cash for Keys is a monetary incentive offered to occupants for vacating the Property as an alternative to legal eviction after foreclosure.

Cash for Keys (applicable to HECMs only)

Cash for Keys refers to a monetary consideration offered as an incentive to expedite a DIL or as an alternative to legal eviction of Bona Fide Tenants after foreclosure.

Cash on Hand

Cash on Hand refers to cash held by the Borrower outside of a financial institution.

Cash Reserves

Cash Reserves include all non-retirement liquid assets available for withdrawal or liquidation from all financial institutions. Such accounts include, but are not limited to, the following:

- brokerage, mutual funds, checking, savings, money market or certificate of deposits, other depository accounts, and stocks;
- other equity instruments such as marketable debt of federal, state, or local governments, Government-Sponsored Enterprises, corporations, and other businesses; and
- other securities and commodities (including futures, traded on an exchange or marketplace generally available to the public) for which values can be readily verified

using Schedules B (Interest & Dividends), D (Capital Gains & Losses), and E (Supplemental Income & Loss) of the Borrower's most recent federal tax return.

Certification Period

The Certification Period is the one-year period, beginning on the first day of the Mortgagee's prior fiscal year and ending on the last calendar day thereof.

Change Date

The Change Date is the effective date of an adjustment to the interest rate, as shown in Paragraph 4(a) of the model Adjustable Rate Note form.

Change Request

A Change Request is the method of submitting information and/or business changes to FHA that requires FHA review and approval before acceptance. Any update or change that cannot be made by the Mortgagee directly is submitted as a Change Request.

Charge Off Account

A Charge Off Account refers to a Borrower's loan or debt that has been written off by the creditor.

Chattel (applicable to Title I only)

Chattel refers to tangible, movable Personal Property that is not Real Property.

Chattel Appraiser (applicable to Title I only)

Chattel Appraiser refers to an appraiser who observes, analyzes, and reports the physical and economic characteristics of Chattel and provides an opinion of value to FHA.

Child Support

See **Alimony, Child Support, and Maintenance Income**.

Claims without Conveyance of Title (CWCOT)

A Claim without Conveyance of Title (CWCOT) is a procedure under which the Mortgagee attempts to secure a third party purchaser for the mortgaged Property so that conveyance to HUD is not required in exchange for mortgage insurance benefits.

Closing Agent

A Closing Agent is the entity responsible for conducting the closing of a HUD REO property sales transaction, including submitting closing packages, and wiring sales proceeds to the U.S. Treasury.

Closing Date

The Closing Date is the settlement date on the Closing Disclosure or similar legal document. This is also known as the origination date.

Closing Date (applicable to HECMs only)

Closing Date refers to the date on which the Borrower signs the Note.

Closing Disclosure

Closing Disclosure refers to a form containing the final statement of loan terms and closing costs that is required under the TILA-RESPA Integrated Disclosure Rule.

Combination Inspector (CI)

Combination Inspector (CI) or Residential Combination Inspector (RCI) refers to an inspector that has met certification requirements as determined by the International Code Council (ICC).

Combination Loan (applicable to Title I only)

Combination Loan refers to a Loan made for the purchase or refinancing in a single transaction of a Manufactured Home and a manufactured home lot, and may also include a garage, patio, carport, or other comparable appurtenance.

Combination Loan Modification and Partial Claim

A Combination Loan Modification and Partial Claim refers to a change in one or more terms of a Borrower's Mortgage to resolve the outstanding Arrearage by re-amortizing the total outstanding debt at the Market Rate and extending the term and may include a principal deferment when required.

Combined Loan-to-Value (CLTV)

The Combined Loan-to-Value (CLTV) is computed as the Base Loan Amount plus the outstanding principal balance of all subordinate Mortgage(s) divided by the Adjusted Value.

Combined Rate

Combined Rate refers to the interest rate on the Mortgage plus the Mortgage Insurance Premium rate.

Commercial/Nonresidential Financial Independence

Commercial/Nonresidential Financial Independence refers to the ability of the Residential Space and Commercial/Nonresidential Space of the Condominium Project to be independently sustainable such that neither portion of the Condominium Project is financially reliant on the other.

Commercial/Nonresidential Space

Commercial/Nonresidential Space refers to floor area allocated to:

- retail and commercial square footage (excludes Live/Work Units);
- multilevel parking garage square footage that is separate from multilevel parking garage square footage allocated to residential Unit owners;
- building common areas not reserved for the exclusive use of residential Unit owners; and
- any square footage that is owned by a private individual or entity outside of the Condominium Association.

Commission Income

Commission Income refers to income that is paid contingent upon the conducting of a business transaction or the performance of a service.

Commissioner's Adjusted Fair Market Value (CAFMV)

The Commissioner's Adjusted Fair Market Value (CAFMV) is the estimate of the fair market value of the mortgaged Property, less adjustments, which may include without limitation, HUD's estimate of holding costs and resale costs that would be incurred if title to the mortgaged Property were conveyed to HUD.

Common Elements

Common Elements refer to the Condominium Project's common areas and facilities including underlying land and buildings, driveways, parking areas, elevators, outside hallways, recreation and landscaped areas, and other elements described in the condominium declaration.

Common Interest Housing Development (CIHD)

A Common Interest Housing Development (CIHD) refers to a planned residential community that may consist of Units within a two- to four-unit building and/or contain multiple housing types, structured with different ownership interests, managed by a common Condominium Association or HOA, and governed under one Declaration of Covenants, Conditions, and Restrictions (CC&Rs). The CIHD may share a variety of common amenities and services.

Community Water System

A Community Water System refers to a central system that is owned, operated, and maintained by a private corporation or a nonprofit property owners' association.

Compensating Factors (applicable to HECMs only)

Compensating Factors refer to factors that may be used to justify approval of HECMs where the Borrower does not meet the Residual Income standard.

Complete Condominium Project

Complete Condominium Project refers to a Condominium Project consisting of Units that are Existing Less than One Year and that are ready for occupancy, including completion of all the Infrastructure of the Condominium Project, and not subject to further rehabilitation or construction.

Complete Loss Mitigation Request

A Complete Loss Mitigation Request is a request for loss mitigation assistance that contains all information from the Borrower **required** to evaluate Loss Mitigation Home Retention Options and Home Disposition Options.

Complete Nonprofit Application

A Complete Nonprofit Application refers to an application that satisfies all general application requirements and all program specific application requirements for the programs in which the nonprofit seeks approval.

Conditional Direct Endorsement Lender Review and Approval Process (DELRAP)

Authority

Conditional Direct Endorsement Lender Review and Approval Process (DELRAP) Authority refers to the authority of a Mortgagee that has provided notice to FHA of its intent to participate in DELRAP and requires the Mortgagee to submit all Condominium Project Approvals to FHA for review.

Condominium Association

A Condominium Association refers to the organization, regardless of its formal legal name, that consists of homeowners within a Condominium Project for the purpose of managing the financial and common-area assets.

Condominium Project

A Condominium Project refers to a project in which one-family Dwelling Units are attached, semi-detached, detached, or Manufactured Home units, and in which owners hold an undivided interest in Common Elements.

Condominium Project Approval

Condominium Project Approval refers to the process to determine a Condominium Project's compliance with FHA's Condominium Project Approval requirements.

Condominium Unit (Unit)

Condominium Unit (Unit) refers to real estate consisting of a one-family Dwelling Unit in a Condominium Project.

Conformed Copy

A Conformed Copy is a copy that agrees with the original and all amendments to it.

Contingency Reserve

Contingency Reserve refers to funds that are set aside to cover unforeseen project costs.

Contract Execution Date

Contract Execution Date refers to the date the contract has been executed by all parties.

Contract of Insurance (applicable to Title I only)

Contract of Insurance is the term applied to a Title I Lender's authority to originate, underwrite, and insure Title I Loans. FHA's approval as a Title I Lender constitutes the Title I Contract of Insurance between the Title I Lender and HUD.

Control of the Condominium Association

Control of the Condominium Association refers to the ability to directly or indirectly control, direct, modify, or veto any action of the Condominium Association.

Contributory Value

Contributory Value refers to the change in the value of a Property as a whole, whether positive or negative, resulting from the addition or deletion of a property component.

Corporate Officer

A Corporate Officer of a Nonsupervised or Investing Mortgagee refers to a natural person who serves as one of the following positions for the Mortgagee: owner, President, Vice President in charge of managing or overseeing any aspect of the Mortgagee's FHA business, Chief Operating Officer, Chief Financial Officer, Director, Corporate Secretary, Chief Executive Officer, General Counsel, Chairman of the Board, General Partner, or member or manager of an LLC.

A Corporate Officer of a Supervised or Government Mortgagee refers to a natural person who serves as one of the following positions for the Mortgagee: President, Vice President in charge of managing or overseeing any aspect of the Mortgagee's FHA business, Chief Operating Officer, Chief Financial Officer, Director, Corporate Secretary, Chief Executive Officer, General Counsel, Chairman of the Board, General Partner, or specifically designated staff member(s) of a Government Mortgagee.

Co-signer

Co-signer refers to a third party to a debt that provides a guarantee that a debt will be repaid.

Cost Estimate

Cost Estimate refers to a breakdown of the cost for each proposed Work Item, prepared by a 203(k) Consultant.

Credit-qualifying Loans

Credit-qualifying Loans refer to any loan(s) (e.g., mortgage loan, consumer credit card, automobile, etc.) where one or more of the Borrowers have obtained and qualified for credit.

Current Index Figure

The Current Index Figure is:

- the most recent index figure available 30 Days before the date of each interest rate adjustment, for Mortgages closed before January 10, 2015, and
- the most recent figure available 45 days before the date of each interest rate adjustment, for Mortgages closed on or after January 10, 2015.

D

Data Plate

Data Plate refers to a paper document located on the interior of the Property that contains specific information about the unit and its manufacturer.

Date of Conversion

Date of Conversion refers to the date that the legal documents were recorded.

Days

Days refer to calendar Days.

Dealer (applicable to Title I only)

A Dealer refers to, in the case of Property Improvement Loans, a seller, contractor, or supplier of goods or services. In the case of Manufactured Home Loans, a Dealer refers to a person or business who engages in the business of manufactured home retail sales.

Dealer Loan (applicable to Title I only)

A Dealer Loan process refers to a Loan where a Dealer assists the Borrower in preparing the credit application or otherwise assists the Borrower in obtaining the Loan from the Lender. This may include completing the loan application for the Borrower, and collecting any other documentation or information as required by the Lender that is necessary to support the lending decision.

Decision Credit Score

Decision Credit Score refers to the credit score selected from the credit repositories (i.e., Equifax, Trans Union, and Experian) for use when underwriting the loan. A “decision credit score” is determined for each applicant according to the following rule: when three scores are available (one from each repository), the median (middle) value is used; when only two are available, the lesser of the two is chosen; when only one is available that score is used.

Decreasing Market

A Decreasing Market refers to any neighborhood or market area that demonstrates a declining property value trend.

Deed-in-Lieu (DIL) of Foreclosure

A Deed-in-Lieu (DIL) of Foreclosure is a loss mitigation home disposition option in which a Borrower voluntarily offers the deed to the Note holder in exchange for a release from all obligations under the Mortgage.

Deed-in-Lieu (DIL) of Foreclosure (applicable to HECMs only)

A Deed-in-Lieu (DIL) of Foreclosure is an option for a property owner to deed a mortgaged Property to the Mortgagee in lieu of the Mortgagee taking title through a foreclosure action.

Deed-in-Lieu (DIL) of Foreclosure (applicable to Servicing only)

A Deed-in-Lieu (DIL) of Foreclosure is a Loss Mitigation Home Disposition Option in which a Borrower voluntarily offers the deed to HUD in exchange for a release from all obligations under the Mortgage.

Deed Restriction

A Deed Restriction refers to a private agreement that restricts the use of real estate in some way, and is listed in the deed.

Default

A Mortgage is in Default when the Borrower fails to make any payment or to perform any other obligation under the Mortgage for a period of 30 Days.

Deferral Period (applicable to HECMs only)

A Deferral Period refers to the period of time following the death of the last surviving Borrower for a HECM with an FHA case number assigned on or after August 4, 2014, during which the Due and Payable status of a HECM is deferred for an Eligible NBS or Eligible Surviving Non-Borrowing Spouse provided that the Qualifying Attributes and all other FHA requirements continue to be satisfied.

Delinquent

A Mortgage is Delinquent any time a Mortgage Payment is due and not paid.

Detached Condominium Housing Project (DCHP)

A Detached Condominium Housing Project (DCHP) refers to a Condominium Project that has individual detached Single Family Dwelling Units, garage, and onsite improvements that are owned and maintained by the homeowner. The ground beneath the residential improvements is owned by the Condominium Association or Homeowners' Association (HOA) or is under a long-term leasehold interest and considered common area or limited common area.

Direct Endorsement Lender Review and Approval Process (DELRAP)

Direct Endorsement Lender Review and Approval Process (DELRAP) refers to the review of a Condominium Project by a Mortgagee that has been granted DELRAP authority.

Direct Endorsement Lender Review and Approval Process (DELRAP) Test Case Phase

The Direct Endorsement Lender Review and Approval Process (DELRAP) Test Case Phase refers to the time period in which a Mortgagee with Conditional DELRAP Authority is required to submit Condominium Project Approvals to FHA for review.

Direct Loan (applicable to Title I only)

A Direct Loan process refers to where the Borrower applies directly to the Lender or its sponsored TPO for the Loan without assistance from a Dealer, contractor, or third party that has a financial interest in the loan transaction.

Disbursement

Disbursement refers to the release of mortgage proceeds to the Borrower.

Disbursement Date

The Disbursement Date refers to the date the proceeds of the Mortgage/Loan/HECM are made available to the Borrower.

Disbursement Date (applicable to Claims only)

The Disbursement Date, as applicable to claims, is the date the Mortgagee paid for an expense.

Discount Points

Discount Points refer to a charge from the Mortgagee/Lender for the interest rate chosen. They can be paid by the Borrower and become part of the total cash required to close.

Disputed Derogatory Credit Account

Disputed Derogatory Credit Account refers to disputed Charge Off Accounts, disputed collection accounts, and disputed accounts with late payments in the last 24 months.

Distributive Share

A Distributive Share is a share of any excess earnings from the Mutual Mortgage Insurance Fund (MMIF) that may be distributed to a Borrower after mortgage insurance termination.

Due and Payable (applicable to HECMs only)

Due and Payable refers to the point at which a HECM is considered to be in default under the terms of the HECM.

Due and Payable Date (applicable to HECMs only)

Due and Payable Date refers to the date when the Mortgagee notifies or should have notified the Commissioner that the Mortgage is Due and Payable under the conditions stated in the Mortgage or the date that a Deferral Period ends, or the date the Commissioner approved a Due and Payable request submitted by the Mortgagee.

Dwelling Unit

Dwelling Unit refers to a single unit of residence for a household of one or more persons.

E**Early Payment Defaults**

Early Payment Defaults refer to all Mortgages that become 60 Days Delinquent within the first six payments.

Early Start Letter

Early Start Letter refers to the document issued by the Mortgagee in response to a builder's request to start construction before the appraisal is completed.

Early Default Intervention Tools

Early Default Intervention Tools refer to Repayment Plans and Forbearances.

Easement

An Easement refers to an interest in land owned by another person, consisting of the right to use or control the land, or an area above or below it, for a specific limited purpose.

Economic Event

Economic Event refers to any occurrence beyond the Borrower's control that results in loss of employment, loss of income, or a combination of both, which causes a reduction in the Borrower's household income of 20 percent or more for a period of at least six months.

Effective Income

Effective Income refers to income that may be used to qualify a Borrower for a Mortgage.

Effective Income (applicable to HECMs only)

Effective Income refers to income that may be used to evaluate a Borrower for a HECM.

Electronic Appraisal Delivery (EAD)

The Electronic Appraisal Delivery (EAD) is a web-based platform where Mortgagees or their designated technology service providers electronically deliver FHA Single Family appraisal reports prior to endorsement.

Eligible Contractor

Eligible Contractor refers to a contractor that meets all state and local licensing requirements and, if applicable, federal certification requirements.

Eligible Non-Borrowing Spouse (NBS) (applicable to HECMs only)

Eligible Non-Borrowing Spouse (NBS) refers to an NBS who meets all Qualifying Attributes for a Deferral Period.

Eligible Surviving Non-Borrowing Spouse (NBS) (applicable to HECMs only)

Eligible Surviving Non-Borrowing Spouse (NBS), for the purpose of MOE Assignment, refers to an NBS of a HECM Borrower where the HECM was assigned an FHA case number prior to August 4, 2014 and meets the eligibility requirements identified by HUD.

Employer Assistance

Employer Assistance refers to benefits provided by an employer to relocate the Borrower or assist in the Borrower's housing purchase, including closing costs, prepaid items, MIP, or any portion of the MRI. Employer Assistance does not include benefits provided by an employer through secondary financing.

Employer Assistance (applicable to Title I only)

Employer Assistance refers to benefits provided by an employer to relocate the Borrower or assist in the Borrower's housing purchase, including closing costs, prepaid items, insurance premiums, or any portion of the minimum cash investment. Employer Assistance does not include benefits provided by an employer through secondary financing. A salary advance cannot be considered assets to close.

Employer Assistance (applicable to HECMs only)

Employer Assistance refers to benefits provided by an employer to relocate the Borrower or assist in the Borrower's housing purchase, including closing costs, MIP, or any portion of the monetary investment. Employer Assistance does not include benefits provided by an employer through secondary financing.

Employer Housing Subsidy

Employer Housing Subsidy refers to employer-provided mortgage assistance.

Employment Authorization Document

Employment Authorization Document refers to the form provided by the U.S. Citizenship and Immigration Services (USCIS) that proves an individual is allowed to work in the United States for a specific period of time.

Employment Income

Employment Income refers to income received as an employee of a business that is reported on IRS Form W-2.

Encroachment

An Encroachment refers to an interference with or intrusion onto another's property.

Equivalent System

A system equivalent to the Credit Alert Verification Reporting System (CAIVRS) provided by HUD that Mortgagees may use to obtain information on delinquent Federal Debts from public records, credit reports, or other sources.

Excess Land

Excess Land refers to land that is not needed to serve or support the existing improvement. The highest and best use of the Excess Land may or may not be the same as the highest and best use of the improved parcel. Excess Land may have the potential to be sold separately.

Excluded Parties

Excluded Parties refer to business parties that have been suspended and/or debarred from further participation in HUD and other federal government programs due to unethical business practice.

Executed Special Forbearance (SFB) – Unemployment Agreement

The Special Forbearance (SFB) – Unemployment Agreement is considered “executed” when:

- at least one of the Borrowers has signed and dated the Agreement;
- the Agreement has been returned to the Mortgagee; and
- the authorized Mortgagee representative has signed and dated the Agreement as well.

Existing Construction

Existing Construction refers to a Property that has been 100 percent complete for over one year or has been completed for less than one year and was previously occupied. For Condominium Projects, all phases must have been 100 percent complete for over one year.

Existing Construction for Manufactured Housing (applicable to Title II only)

Existing Construction for Manufactured Housing refers to a Manufactured Home that has been permanently installed on a site for one year or more prior to the case number assignment date.

Existing Less than One Year

Existing Less than One Year refers to a Property that is 100 percent complete and has been completed less than one year from the date of the issuance of the Certificate of Occupancy (CO) or equivalent. The Property must have never been occupied.

Existing Manufactured Home (applicable to Title I only)

Existing Manufactured Home refers to a home purchased later than 18 months after the date of manufacture; it must be appraised to determine the maximum loan amount.

Existing Structure (applicable to Title I only)

Existing Structure refers to a dwelling, including a Manufactured Home, which was completed and occupied at least 90 days prior to an application for a Title I Loan, or a nonresidential Structure that was a completed building with a distinctive functional use prior to an application for a Title I Loan. However, these occupancy and completion requirements shall not apply to:

- Loans having a principal obligation of \$1,000 or less; or
- residential Structures which have been damaged by conditions determined by the President to warrant relief under the provisions of title 42, chapter 68, of the United States Code.

Expected Average Mortgage Interest Rate (Expected Rate) (applicable to HECMs only)

The Expected Average Mortgage Interest Rate (Expected Rate) refers to the interest rate used to calculate the Principal Limit at closing.

Expected Income

Expected Income refers to income from cost-of-living adjustments, performance raises, a new job, or retirement that has not been, but will be received within 60 Days of mortgage closing.

Extenuating Circumstances (applicable to HECMs only)

Extenuating Circumstances refer to factors a Mortgagee may cite when the Borrower's credit and/or property charge payment history does not meet the criteria described in the Satisfactory Credit History and Satisfactory Property Charge Payment History sections.

Externalities

Externalities refer to off-site conditions that affect a Property's value.

F

Family Member

Family Member is defined as follows, regardless of sex or legal marital status:

- child, parent, or grandparent;
 - a child is defined as a son, stepson, daughter, or stepdaughter;
 - a parent or grandparent includes a stepparent/grandparent or foster parent/grandparent;
- spouse or domestic partner;
- legally adopted son or daughter, including a child who is placed with the Borrower by an authorized agency for legal adoption;
- foster child;
- brother, stepbrother;
- sister, stepsister;

- uncle, aunt; or
- son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the Borrower.

Family-Owned Business Income

Family-Owned Business Income refers to Employment Income earned from a business owned by the Borrower's family, but in which the Borrower is not an owner.

Federal Banking Agencies

The Federal Banking Agencies are the Federal Reserve System, Federal Deposit Insurance Corporation (FDIC), and the Credit Union Administration (NCUA).

Federal Debt

Federal Debt refers to debt owed to the federal government for which regular payments are being made.

Federal Tax Debt

Federal Tax Debt refers to tax debt owed to the federal government for which regular payments are required.

Fee Simple

Fee Simple refers to an absolute ownership unencumbered by any other interest or estate.

FHA Insurance Concentration

FHA Insurance Concentration refers to the number of FHA-insured Mortgages within a Condominium Project.

Fidelity Insurance

Fidelity Insurance refers to insurance that protects the Condominium Association against employee dishonesty, crime, or other fraudulent acts conducted by one or more employees.

Final Reconciliation

Final Reconciliation refers to the process by which an Appraiser evaluates and selects from among alternative conclusions to reach a final value estimate, and reports the results of the analysis.

Financial Controls (applicable to Condominiums only)

Financial Controls refer to the financial policies and procedures that a Condominium Association has in place to protect its funds from fraud and mismanagement.

Financial Distress Event

Financial Distress Event refers to a Condominium Project or builder/developer that has:

- sought protection under bankruptcy law;
- been placed into receivership (mandated or voluntary);
- been subject to foreclosure or any seizure of assets by creditors; or
- offered a Deed-in-Lieu (DIL) of Foreclosure.

Financial Stability

Financial Stability refers to the ability of the Condominium Association to meet the Condominium Project's needs in the future through positive cash flow and adequately funded reserves.

Financial Hardship (applicable to Servicing only)

Financial Hardship refers to an increase in living expenses or a loss of income affecting the Borrower's ability to continue their Mortgage Payments as attested by the Borrower.

Finding

A Finding refers to a determination of defect by **FHA**, the Lender (for Title I), Mortgagee (for Title II), or other participants, as applicable.

Fire Safety Equipment Loan (applicable to Title I only)

Fire Safety Equipment Loan refers to a Loan made to finance the purchase and installation of any device or construction feature which is recognized in the latest edition of HUD's Minimum Property Standards for Care Type Housing (HUD Handbook 4920.1) or the Fire Safety Code of the National Fire Protection Association, and is designed to reduce the risk of death, personal injury, or property damage resulting from a fire in a Health Care Facility.

First 12-Month Disbursement Period (applicable to HECMs only)

First 12-Month Disbursement Period refers to the period beginning on the day of closing and ending on the day before the anniversary date of closing. When the day before the anniversary date of closing falls on a federally observed holiday, Saturday, or Sunday, the end period will be on the next business day.

First-Time Homebuyer

A First-Time Homebuyer refers to an individual who has not held an ownership interest in another property in the three years prior to the case number assignment. First-Time Homebuyer includes an individual who is divorced or legally separated and who has had no ownership interest in a Principal Residence (other than joint ownership interest with a spouse) during the three years prior to case number assignment.

First-Time Vacant (FTV) Property Inspection

A First-Time Vacant (FTV) Property Inspection is the first inspection performed by the Mortgagee to ascertain the condition of a vacant or abandoned Property.

Flood Insurance

Flood Insurance refers to insurance provided by a National Flood Insurance Program (NFIP) or a Private Flood Insurance (PFI) policy that covers physical damage by floods.

Follow-up Vacant Property Inspection

A Follow-up Vacant Property Inspection is an inspection by the Mortgagee of a vacant or abandoned Property that occurs every 25-35 Days after the FTV Property Inspection until the mortgage Default is cured or until conveyance of the Property to HUD.

Forbearance (applicable to Servicing of forward Mortgages only)

A Forbearance allows for reduced or suspended monthly Mortgage Payments for a specified period.

Forbearance Plans

Forbearance Plans refer to arrangements between a Mortgagee and Borrower that provide specific terms for repayment and may allow for a period of reduced or suspended payments.

Full Review

Full Review refers to the verification and analysis of all required Condominium Project Approval documentation.

Fully Funded Life Expectancy Set-Aside (LESA) (applicable to HECMs only)

Fully Funded Life Expectancy Set-Aside (LESA) refers to a portion of the Borrower's Principal Limit that is designated for payment of property taxes, including special assessments levied by municipalities or state law, Hazard Insurance, and, if applicable, Flood Insurance for the estimated remainder of the Borrower's life expectancy. With a Fully Funded LESA, the Mortgagee makes payments directly to the billing agency. A Borrower can voluntarily elect to have a Property Charge Set-Aside created at closing. If the Borrower chooses this option, the Property Charge Set-Aside will function as though it were a Fully Funded LESA.

Funding Date

The Funding Date is the date the proceeds of the Mortgage are made available to the Borrower.

G

Gifts

Gifts refer to contributions of cash or equity with no expectation of repayment.

Gifts (applicable to HECMs only)

Gifts refer to the contributions of cash with no expectation of repayment.

Government Mortgagee

A Government Mortgagee is a federal, state, or municipal governmental agency, a Federal Reserve Bank, a Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation (FHLMC, or Freddie Mac), or the Federal National Mortgage Association (FNMA, or Fannie Mae).

Governmental Entity

A Governmental Entity refers to any federal, state, or local government agency or instrumentality. To be considered an instrumentality of the government, the entity must be established by a governmental body or with governmental approval or under special law to serve a particular public purpose or designated by law (statute or court opinion). HUD deems Section 115 entities to be instrumentalities of government for the purpose of providing secondary financing.

Grass Cuts

Grass Cuts are the Property P&P actions of mowing, weeding, edge trimming, sweeping of all paved areas, and removing all lawn clippings, related cuttings, and debris.

Gross Living Area (GLA)

Gross Living Area (GLA) refers to the total area of finished, above-grade Residential Space calculated by measuring the outside perimeter of the Structure. It includes only finished, habitable, above-grade living space.

Grossing Up

Grossing Up refers to the process of adjusting tax-exempt income upward by the effective tax rate to compute an equivalent taxable income amount.

Ground Rent

Ground Rent refers to the rent paid for the right to use and occupy the land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term.

Gut Rehabilitation (Gut Rehab)

Gut Rehabilitation refers to the renovation of a Property down to the shell of the structure, including the replacement of all Heating, Ventilation and Air Conditioning (HVAC) and electrical components.

H

Hazard Insurance

Hazard Insurance refers to insurance coverage that compensates for physical damage by fire, wind, or natural occurrences.

Health Care Facility (applicable to Title I only)

A Health Care Facility refers to a proprietary facility or a facility of a private nonprofit corporation or association licensed or regulated by the state or by the municipality or other political subdivision in which the facility is located, and operated as one or more of the following:

- a nursing home for the accommodation of convalescents or other persons who are not acutely ill and not in need of hospital care, but who require skilled nursing care and related medical services performed under the general direction of persons licensed by the law of the state where the facility is located to provide such care or services;
- an intermediate Health Care Facility for the accommodation of persons who, because of incapacitating infirmities, require minimum but continuous care, but not continuous medical care or nursing services;
- an extended Health Care Facility for inpatient care for convalescents or chronic disease patients who require skilled nursing care and related medical services; or
- another comparable Health Care Facility.

HECM Borrower

HECM Borrower refers to the original Borrower under a Note and Mortgage. The term does not include successors or assigns of a Borrower.

HECM for Purchase

HECM for Purchase refers to a transaction where the Borrower uses the HECM to finance the purchase of an existing one- to four-unit residence where the Borrower will occupy one unit as their Principal Residence.

HECM Property

HECM Property refers to a Property that is either Existing Construction or New Construction which will serve as collateral for the HECM.

HECM-to-HECM Refinance (HECM Refinance)

HECM-to-HECM Refinance (HECM Refinance) refers to a new HECM where the proceeds will be used to pay off the property indebtedness of the current HECM and any existing eligible lien.

HECM Traditional

HECM Traditional refers to a transaction where a Borrower with legal title, leasehold interest, or possessory interest obtains a HECM to access equity in their current Principal Residence.

Historic Preservation Loan (applicable to Title I only)

Historic Preservation Loan refers to a Loan to finance the preservation (restoration or rehabilitation) of an historic residential Structure, which is listed on the National Register of Historic Places, or certified by the Secretary of the Interior as conforming to National Register criteria.

Holder

See **Mortgage Holder (Holder)**.

Home Disposition Option

Home Disposition Options are the Loss Mitigation Options of Pre-Foreclosure Sales (PFS) and Deed-in-Lieu (DIL).

Home Equity Conversion Mortgage (HECM)

A Home Equity Conversion Mortgage (HECM) refers to a non-recourse, reverse mortgage that allows a Borrower access to equity secured by the Principal Residence with no corresponding monthly mortgage payment.

Home Equity Reverse Mortgage Information Technology (HERMIT) System (applicable to HECMs only)

The Home Equity Reverse Mortgage Information Technology (HERMIT) System refers to HUD's HECM Servicing platform for collecting MIP, managing all servicing activities and paying insurance claims. See the HERMIT User Guide for detailed information regarding using the platform.

Homeowners' Association (HOA)/Condominium Assessment

A Homeowners' Association (HOA)/Condominium Assessment is a periodic payment required of property owners by an HOA or condominium association.

Homeowners' Association (HOA)/Condominium Fees

Homeowners' Association (HOA)/Condominium Fees are HOA/Condominium Assessments plus interest, Late Charges, collection/attorney fees, and other penalties.

Homeownership and Opportunity for People Everywhere (HOPE) Grantee

Homeownership and Opportunity for People Everywhere (HOPE) Grantee refers to an entity designated in the homeownership plan submitted by an applicant for an implementation grant under the HOPE program.

Housing Development Experience

Housing Development Experience is defined as acquisition, rehabilitation, and sale to low-to-moderate income persons.

Housing Obligation/Mortgage Payment/Loan Payment

A Housing Obligation/Mortgage Payment/Loan Payment refers to the monthly payment due for rental or Properties owned. For the purposes of servicing the Mortgage, Mortgage Payment refers to the total monthly payment on the FHA-insured Mortgage.

HUD-approved Nonprofit

A HUD-approved Nonprofit is a nonprofit agency approved by HUD to act as a mortgagor using FHA mortgage insurance, purchase the Department's Real Estate Owned (REO) Properties (HUD Homes) at a discount, and provide secondary financing.

HUD Certification Label

HUD Certification Label, also known as a HUD seal or HUD tag, refers to a two inch by four inch aluminum plate permanently attached to Manufactured Housing.

HUD Real Estate Owned (REO) Property

A HUD Real Estate Owned (REO) Property, also known as a HUD Home or a HUD-owned home, refers to a one- to four-unit residential Property acquired by HUD as a result of a foreclosure or other means of acquisition on an FHA-insured Mortgage, whereby the Secretary of HUD becomes the property owner and offers it for sale to recover the mortgage insurance claim that HUD paid to the Mortgagee.

HUD Review and Approval Process (HRAP)

HUD Review and Approval Process (HRAP) refers to the submission of project applications to FHA for approval.

I

Identity of Interest

Identity of Interest refers to a transaction between family members, business partners or other business affiliates.

Imminent Default

A Borrower facing Imminent Default is defined as a Borrower who is current or less than 30 Days past due on their Mortgage Payment and is experiencing a significant, documented reduction in income or some other hardship that will prevent them from making the next required Mortgage Payment during the month that it is due.

Increasing Market

Increasing Market refers to any neighborhood or market area that demonstrates an increasing property value trend.

Indian Land

Indian Land refers to those lands that are held by or for the benefit of Indian Tribes under some restriction or with some attribute peculiar to the legal status of its owners.

Indian Tribe

Indian Tribe refers to any Indian or Alaskan native tribe, band, nation, or other organized group or community of Indians or Alaskan natives recognized as eligible for the services provided to Indians or Alaskan natives by the Secretary of Interior because of its status as such an entity, or that was an eligible recipient under Chapter 67 of title 31, United States Code, prior to the repeal of this section.

Individual Owner Concentration

Individual Owner Concentration refers to the percentage of Units owned by a single owner or Related Party.

Individual Property Files

Individual Property Files refer to files that Governmental Entities and HUD-approved Nonprofits participating in the HUD Homes program must maintain for each Property purchased, sold, or leased when a discount of 10 percent or greater is obtained at the time of purchase.

Individual Retirement Account (IRA)/401(k) Income

An Individual Retirement Account (IRA)/401(k) Income refers to income received from an IRA.

Individual Water Supply System

An Individual Water Supply System refers to a potable water source providing water to an individual Property.

Ineligible Non-Borrowing Spouse (NBS) (applicable to HECMs only)

An Ineligible Non-Borrowing Spouse (NBS) refers to an NBS who does not meet all Qualifying Attributes for a Deferral Period.

Infrastructure

Infrastructure refers to the Condominium Project's streets, storm water management, water and sewage systems, and utilities, along with the Condominium Project's Common Elements and any similar items, called for in the Condominium Project or Legal Phase.

Initial Disbursement Limit (applicable to HECMs only)

Initial Disbursement Limit refers to the maximum amount of funds that can be advanced to the Borrower of an adjustable rate HECM at closing and during the First 12-Month Disbursement Period.

Initial Index Figure

The Initial Index Figure is the most recent figure available before the Closing Date of Mortgage.

Initial Payment (applicable to Title I only)

Initial Payment refers to the amount of money that a Borrower must pay for non-financeable fees and charges and to fund any portion of the improvement work not covered by the loan amount.

Installment Due Date

The Installment Due Date is the first Day of the month, as provided for in the security instrument.

Installment Loans

Installment Loans (excluding Student Loans) refer to loans, not secured by real estate, that require the periodic payment of Principal and Interest (P&I). A loan secured by an interest in a timeshare must be considered an Installment Loan.

Instrumentality of Government

An Instrumentality of Government refers to an entity that was established by a governmental body or with governmental approval or under special law to serve a particular public purpose or designated by law (statute or court opinion) and does not have 501(c)(3) status.

Insured HUD Real Estate Owned (REO) Property Purchase

An Insured HUD Real Estate Owned (REO) Property Purchase refers to the purchase of a HUD REO Property by a Borrower with a new FHA-insured Mortgage.

Interested Parties

Interested Parties refer to sellers, real estate agents, builders, developers, Mortgagees, Third Party Originators (TPO), or other parties with an interest in the transaction.

Interested Party Contribution

Interested Party Contribution refers to a payment by an Interested Party, or combination of parties, toward the Borrower's origination fees, other closing costs including any items Paid Outside Closing (POC), prepaid items, and Discount Points.

Interested Party Contribution (applicable to HECM for Purchase only)

Interested Party Contribution refers to a payment by an Interested Party, or combination of parties, toward the Borrower's loan origination fees, other closing costs including any items Paid Outside Closing (POC), and prepaid items.

Investing Mortgagee

An Investing Mortgagee is an organization that invests funds under its own control.

Investment Income

Investment Income refers to interest and dividend income received from assets such as certificates of deposits, mutual funds, stocks, bonds, money markets, and savings and checking accounts.

Investment Property

Investment Property refers to a Property that is not occupied by the Borrower as a Principal or Secondary Residence.

Investor Buyer

An Investor Buyer is a buyer who will not occupy the HUD REO Property as their Principal Residence.

J

Judgment

Judgment refers to any debt or monetary liability of the Borrower, and the Borrower's spouse in a community property state unless excluded by state law, created by a court, or other adjudicating body.

Judgment (applicable to HECMs only)

Judgment refers to any debt or monetary liability of the Borrower created by a court or other adjudicating body.

K

L

Land Subsidence

Land Subsidence refers to the lowering of the land-surface elevation from changes that take place underground, including damage caused by sinkholes.

Land Use Restriction Addendum (LURA)

The Land Use Restriction Addendum (LURA) is a legally binding contractual agreement between HUD and the Governmental Entities or nonprofits imposing restrictions on the resale of a HUD Home that the nonprofit organization or Governmental Entity purchased at a discount of 10 percent or greater.

Large Supervised Mortgagee

A Large Supervised Mortgagee is a Supervised Mortgagee that has consolidated assets greater than or equal to the threshold for audited financial reporting established by the Federal Banking Agency with oversight of the Mortgagee. Thresholds are codified at [12 CFR §§ 363.1\(a\), 562.4\(b\)\(2\), and 715.4\(c\)](#), and are subject to change.

Last Action Taken

Last Action Taken refers to one of the following steps in the application to endorsement process that is used to refer to the step in the process that was the last completed: (1) case number assigned; (2) appraisal information entered; (3) firm commitment issued by FHA; (4) insurance application received and subsequent updates; and (5) Notice of Return (NOR) and resubmissions. Last Action Taken does not include updates to Borrowers' names and/or property addresses, an appraisal update, or a transmission of the Upfront Mortgage Insurance Premium (UFMIP) to FHA.

Late Charges

Late Charges are charges assessed if a Mortgage Payment is received more than 15 Days after the due date.

Late Charges (applicable to HECMs only)

Late Charges refer to charges assessed if the IMIP payment is received more than twenty Days after the Closing Date.

Leased Fee

Leased Fee refers to an ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others.

Leasehold

Leasehold refers to the right to hold or use Property for a fixed period of time at a given price, without transfer of ownership, on the basis of a lease contract.

Leasehold Estate

Leasehold Estate refers to the right to use and occupy real estate for a stated term and under certain conditions that have been conveyed by a lease.

Leasehold Interest

Leasehold Interest refers to real estate where the residential improvements are located on land that is subject to long-term lease from the underlying fee owner, creating a divided estate in the Property.

Legal Phases

Legal Phases refer to specific phases of a Condominium Project that allow additions to the Condominium Project and are defined by state authority.

Lender (applicable to Title I only)

See **Title I Lender**.

Lender Electronic Assessment Portal (LEAP)

The Lender Electronic Assessment Portal (LEAP) is an FHA system created to facilitate automated lender approval application.

Lender Insurance (LI) Authority

Lender Insurance (LI) Authority permits a Mortgagee with Title II Unconditional Direct Endorsement authority to endorse Single Family Mortgages for insurance without prior review by FHA.

Lender Insurance (LI) Compare Ratio

The Lender Insurance (LI) Compare Ratio is the percentage of Mortgages underwritten by the Mortgagee that are in claim or Default status compared with the percentage of Mortgages in claim or Default status for all Mortgagees operating in the same state(s) over the preceding two-year period.

Liability Insurance

Liability Insurance refers to insurance that protects against legal claims.

Lien Waiver

A Lien Waiver is a document that releases a consumer (homeowner) from any further obligation for payment of a debt once it has been paid in full. Lien Waivers typically are used by homeowners who hire a contractor to provide work and materials to prevent any subcontractors or suppliers of materials from filing a lien against the homeowner for nonpayment.

Life Expectancy Set-Aside (LESA) (applicable to HECMs only)

Life Expectancy Set-Aside (LESA) refers to a Set-Aside account that is established for the payment of property taxes, Hazard Insurance, and, if applicable, Flood Insurance until expended or while the HECM is not in Due and Payable status. LESA funds cannot be held in an escrow account.

Litigation

Litigation refers to a current or pending lawsuit or proceedings in a court, arbitration, or mediation involving the Condominium Project or Condominium Association, or those concluded within 12 months of the application date. Litigation does not include foreclosure or actions to collect past due assessments brought by the Condominium Association or Condominium Project as plaintiff.

Live/Work Condominium Project

Live/Work Condominium Project refers to a Condominium Project that allows space within the individual Unit to be used jointly for nonresidential and residential purposes.

Live/Work Unit

A Live/Work Unit refers to a Unit in a Live/Work Condominium Project.

Living Trust (applicable to HECMs only)

Living Trust refers to a type of trust that is created and takes effect during the creator's lifetime and may be amended or revoked at any time by the person or persons who created it.

Loan (applicable to Title I only)

A Loan refers to a Disbursement of proceeds (funds) or an advance of credit to or for the benefit of a Borrower who promises to repay the principal amount of such Disbursement or advance, plus interest, if any, at a stated annual rate over time, with the Borrower's obligation evidenced by the Borrower's execution of a Note.

A Loan also refers to a purchase by a Lender of a Note evidencing such obligation, or a refinancing of an existing obligation with or without an additional Disbursement of proceeds or advance of credit.

Loan Administration

Loan Administration refers to all aspects of the FHA Mortgage lifecycle, including origination, underwriting, closing, endorsement, and servicing of FHA-insured Mortgages that are governed by FHA policies and procedures. Loan Administration includes the approval of a Condominium Project.

Loan Modification

A Loan Modification refers to a Standalone Loan Modification or a Loan Modification provided as part of a Combination Loan Modification and Partial Claim, which provides a permanent change in one or more terms of a Borrower's Mortgage.

Loan Sample Risk Assessment

A Loan Sample Risk Assessment is a method of evaluating loans selected for QC on the basis of the severity of the violations found during QC reviews.

Loan-to-Value (LTV)

The Loan-to-Value (LTV) is computed as the Base Loan Amount divided by the Adjusted Value.

Local Distribution Lines

Local Distribution Lines refer to electric lines that commonly supply power to residential housing developments, similar facilities and individual Properties.

Loss Mitigation Home Retention Option

The Loss Mitigation Home Retention Options are:

- Repayment Plans;
- Forbearances;
- Standalone Partial Claims;
- Standalone Loan Modifications;
- Combination Loan Modifications and Partial Claims;
- Payment Supplements; and
- Outside of the Waterfall Loan Modifications (OWL).

Loss Mitigation Option

HUD's Loss Mitigation Options are intended to minimize economic impact to the Mutual Mortgage Insurance Fund (MMIF) and to avoid foreclosure, when possible. The Loss Mitigation Options are:

- Repayment Plan;
- Forbearance;
- Partial Claim;
- Loan Modification;
- Combination Loan Modification and Partial Claim;
- Payment Supplement;
- Outside of the Waterfall Loan Modification (OWL);
- Pre-Foreclosure Sale (PFS); and
- Deed-in-Lieu (DIL) of Foreclosure.

Low- to Moderate-Income

Low- to Moderate-Income individuals or families refer to individuals or families whose household income does not exceed 115 percent of the median income for the area when adjusted for family size.

M

Maintenance Income

See **Alimony, Child Support, and Maintenance Income**.

Management Agreement

A Management Agreement refers to an agreement between a third-party company and the Condominium Association to manage the Condominium Project.

Mandatory Obligations (applicable to HECMs only)

Mandatory Obligations refer to fees and/or charges incurred in connection with the origination of the HECM that are requirements for loan approval and which will be paid at closing or during the First 12-Month Disbursement Period.

Manufactured Home (applicable to Title II)

A Manufactured Home refers to a single Dwelling Unit of Manufactured Housing.

Manufactured Home (applicable to Title I)

A Manufactured Home refers to a transportable Structure, comprised of one or more modules, each built on a permanent chassis, with or without a permanent foundation, designed for occupancy as a Principal Residence by a single family.

Manufactured Home Condominium Project (MHCP)

A Manufactured Home Condominium Project (MHCP) refers to a Condominium Project that consists of two or more Manufactured Homes.

Manufactured Home Improvement Loan (as applies to Chattel/Personal Property)

A Manufactured Home Improvement Loan refers to a Loan made to finance the alteration, repair, or improvement of an Existing Manufactured Home, which is classified as Personal Property by the state or locality in which the Property is located. The proceeds of a Manufactured Home Improvement Loan may also be used for improvements to the home site, as long as the Borrower is the owner of the home and the underlying real estate.

Manufactured Home Improvement Loan (as applies to Real Estate for Title I)

A Manufactured Home Improvement Loan refers to a Loan made to finance the alteration, repair, or improvement of an Existing Manufactured Home, which is classified as Real Property in that the home is placed on a permanent foundation, the home and lot are classified as realty by the state or locality in which the Property is located, and any Loans on the Property are secured by Loans or deeds of trust covering the home and lot. The proceeds of a Manufactured Home Improvement Loan may also be used for improvements to the home site, as long as the Borrower is the owner of the home and the underlying real estate.

Manufactured Home Loan (applicable to Title I only)

Manufactured Home Loan refers to a Loan for the purchase or refinancing of a Manufactured Home and/or the lot on which to place such home. Unless otherwise indicated, the term includes Manufactured Home Purchase Loans, Manufactured Home Lot Loans, and Combination Loans.

Manufactured Home Lot Loan (applicable to Title I only)

Manufactured Home Lot Loan refers to a Loan for the purchase or refinancing of a portion of land acceptable to HUD as a manufactured home lot. The manufactured home lot may consist of platted or unplatted land, a lot in a recorded or unrecorded subdivision or in an improved area of such subdivision, or a lot in a Planned Unit Development (PUD). A manufactured home lot may also consist of an interest in a manufactured home Condominium Project (including any interest in the common areas) or a share in a cooperative association which owns and operates a manufactured home park.

Manufactured Home Purchase Loan (applicable to Title I only)

Manufactured Home Purchase Loan refers to a Loan for the purchase or refinancing of a Manufactured Home exclusive of any lot or site, and may also include a garage, patio, carport, or other comparable appurtenance.

Manufactured Housing (applicable to Title II)

Manufactured Housing refers to Structures that are transportable in one or more sections. They are designed to be used as a dwelling when connected to the required utilities, which include the plumbing, heating, air conditioning, and electrical systems contained therein. Manufactured Housing is designed and constructed to the federal Manufactured Home Construction and Safety Standards (MHCSS) as evidenced by an affixed HUD Certification Label. Manufactured Housing may also be referred to as mobile housing, sectionals, multi-sectionals, double-wide, triple-wide, or single-wide.

Manufactured Housing (applicable to Condominiums)

Manufactured Housing refers to Structures that are transportable in one or more sections and meet the additional definition standards prescribed in Property Acceptability Criteria for Manufactured Housing for Title II Insured Mortgages (Section II.D.5 of [Handbook 4000.1](#)). They may be part of an Approved Condominium Project, provided the Condominium Project meets applicable FHA requirements.

Manufacturer's Invoice (applicable to Title I only)

Manufacturer's Invoice refers to a document issued by a manufacturer and provided with a Manufactured Home to a retail dealer that separately details the wholesale (base) prices at the factory for specific models or series of Manufactured Homes and itemized options (large appliances, built-in items and equipment), plus actual itemized charges for freight from the factory to the Dealer's lot or the home site (including any rental of wheels and axles) and for any sales taxes to be paid by the Dealer. The invoice may recite such prices and charges on an itemized basis or by stating an aggregate price or charge, as appropriate, for each category. The manufacturer shall certify on the invoice, or on a supplement which is attached to and made a part of the invoice, as follows:

The undersigned certifies under applicable criminal and civil penalties for fraud and misrepresentation that: (1) The wholesale (base) prices for the manufactured home and itemized options, the charges for freight and dealer-paid sales taxes, and all other statements in this invoice are true and accurate; (2) all such prices reflect the actual dealer costs at the factory, as quoted in the applicable current manufacturer's wholesale (base) price list; (3) except for any payments of volume incentives or special benefits related to this transaction, all such prices and charges exclude any costs of trade association fees or charges, discounts, bonuses, refunds, rebates, prizes, loan discount points or other financing charges, or anything else of more than nominal value which will inure to the benefit of the dealer and/or home purchaser at any date; and (4) the manufacturer has not made and will not make any payments to or for the benefit of the dealer and/or home purchaser that are not disclosed on this invoice or invoice supplement.

Market Condition Adjustments

Market Condition Adjustments refer to adjustments made to reflect value changes in the market between the date of the contract for the comparable sale and the effective date of the appraisal.

Market Rate

Market Rate is a rate that is no more than 25 bps greater than the most recent Freddie Mac Weekly Primary Mortgage Market Survey (PMMS) Rate for 30-year fixed rate conforming Mortgages (U.S. average), rounded to the nearest one-eighth of 1 percent (0.125 percent), as of the date a TPP is offered to a Borrower or, when a TPP is not required, the date the Borrower is offered a permanent Loan Modification. The Mortgagee must first round the PMMS Rate to the nearest one-eighth of 1 percent (0.125 percent) before calculating the rate at 25 bps greater than the PMMS Rate.

Market Value

Market Value refers to the most probable price which a Property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting

prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the Property sold unaffected by special or creative financing or Sales Concessions granted by anyone associated with the sale.

Adjustments to the comparables must be made for special or creative financing or Sales Concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third-party institutional lender that is not already involved in the Property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

Material Finding

In the context of Mortgage origination and underwriting, a Finding is Material if disclosure of the Finding would have altered the Mortgagee's decision to approve the Mortgage or to endorse or seek endorsement from FHA for insurance of the Mortgage. In the context of mortgage servicing, a Finding is Material if it has an adverse impact on the Property and/or FHA.

Maximum Claim Amount (MCA) (applicable to HECMs only)

The Maximum Claim Amount (MCA) is the lesser of the:

- appraised value as determined by the collateral risk assessment;
- national mortgage limit; or
- sales contract price (applicable only to HECM for Purchase).

Maximum Property Preservation Allowance

The Maximum Property Preservation Allowance is a pre-approved reimbursement for the aggregate of all property preservation expenses that do not exceed the line item allowances listed in HUD's Property Preservation Allowances and Schedules.

Military Income

Military Income refers to income received by military personnel during their period of active, Reserve, or National Guard service, including:

- base pay
- Basic Allowance for Housing
- clothing allowances
- flight or hazard pay
- Basic Allowance for Subsistence
- proficiency pay

Minimum Cash Investment

Minimum Cash Investment (MCI) refers to the Borrower's contribution in cash or its equivalent required, which represents at least 5 percent of the total purchase price for a maximum LTV of 95 percent. The MCI for a Borrower with a credit score of 500 and below will be 10 percent of the total purchase price.

Minimum Decision Credit Score (MDCS)

Minimum Decision Credit Score (MDCS) refers to the credit score reported on the Borrower's credit report when all reported scores are the same. Where three scores are reported, the median score is the MDCS. Where two differing scores are reported, the MDCS is the lowest score. Where only one score is reported, that score is the MDCS.

Minimum Monthly Principal Reduction (Minimum MoPR)

The Minimum Monthly Principal Reduction (Minimum MoPR) must be equal to or greater than 5 percent of the P&I portion of the Borrower's monthly Mortgage Payment as of the date the Payment Supplement Period begins. The Minimum MoPR must also be no less than \$20.00 per month as of the date the Payment Supplement Period begins.

Minimum Property Requirements (MPR)

Minimum Property Requirements (MPR) refer to general requirements that all homes insured by FHA be safe, sound, and secure.

Minimum Property Standards (MPS)

Minimum Property Standards (MPS) refer to regulatory requirements relating to the safety, soundness, and security of New Construction.

Minimum Required Investment (MRI)

Minimum Required Investment (MRI) refers to the Borrower's contribution in cash or its equivalent required by Section 203(b)(9)(A) of the National Housing Act (NHA), which represents at least 3.5 percent of the Adjusted Value of the Property.

Mitigated Finding

In the context of mortgage origination and underwriting, a Finding has been Mitigated if the Mortgagee has adequately addressed the deficiencies underlying the Finding, and such deficiencies have been remedied so that the Mortgagee's decision to approve the Mortgage or to endorse or seek endorsement from FHA for insurance of the Mortgage is acceptable to FHA.

In the context of mortgage servicing, a Finding has been Mitigated if the Mortgagee has adequately addressed the deficiencies underlying the Finding, and such deficiencies have been remedied through mortgage servicing actions taken by the Mortgagee so there is no longer an adverse impact on the Property and/or FHA.

Mixed Use

Mixed Use refers to a Property suitable for a combination of uses including any of the following: commercial, residential, retail, office, or parking space.

Modular Housing

Modular Housing refers to Structures constructed according to state and local codes off-site in a factory, transported to a building lot, and assembled by a contractor into a finished house.

Monthly Principal Reduction (MoPR)

The Monthly Principal Reduction (MoPR) is the amount of principal reduction that the Mortgagee will disburse monthly from the Payment Supplement Account and apply to the payment of principal due on the Borrower's FHA-insured first Mortgage during the Payment Supplement Period.

Mortgage

Mortgage refers to any form of security instrument that is commonly used in a jurisdiction in connection with a loan secured by a one- to four-family residential Property and the land on which it is situated, such as a deed of trust or security deed or land contract.

Mortgage Charge

Mortgage Charge refers to the interest rate, Discount Points, origination fee, and any other amount charged to the Borrower for an insured Mortgage.

Mortgage Charge Rate

Mortgage Charge Rate refers to the total amount of Mortgage Charges for a Mortgage expressed as a percentage of the initial principal of the Mortgage.

Mortgage Holder

The Mortgage Holder is the entity who holds title to the FHA-insured Mortgage/HECM and has the right to enforce the mortgage agreement.

Mortgage Insurance Premium (MIP) Cancellation

A Mortgage Insurance Premium (MIP) Cancellation is the ending of MIP payments on an FHA-insured Mortgage closed on or after January 1, 2001, and assigned a case number before June 3, 2013.

Mortgage on Indian Land

A Section 248 Mortgage on Indian Land refers to a purchase or refinance Mortgage covering one- to four-family dwellings on Indian Lands.

Mortgage Payment

See **Housing Obligation**.

Mortgage Payment Reserve

Mortgage Payment Reserve refers to an amount set aside to make Mortgage Payments when the Property cannot be occupied during rehabilitation.

Mortgage Sale

A Mortgage Sale refers to a transaction in which a Holder sells the Mortgage to another FHA-approved Mortgagee.

Mortgage Servicer (Servicer)

The Mortgage Servicer (Servicer) is the entity responsible for performing servicing actions on FHA-insured Mortgages/HECMs on its behalf or on behalf of or at the direction of another FHA-approved Mortgagee.

Mortgagee

In section I - Doing Business with FHA and section V - Quality Control, Oversight and Compliance, Mortgagee refers to both Title II Mortgagees and Title I Lenders, unless otherwise specified. In all other sections of Handbook 4000.1, Mortgagee refers to Title II Mortgagee (see **Title II Mortgagee**).

Mortgagee-Funded Cure (applicable to HECMs only)

Mortgagee-Funded Cure refers to the use of the Mortgagee's corporate funds to cure a Borrower's outstanding property taxes and/or insurance payments, which cannot be added to the outstanding HECM balance and cannot be added to any future claim for FHA insurance benefits.

Mortgagee Neglect

Mortgagee Neglect is the Mortgagee's failure to take action to preserve and protect the Property from the time it is determined (or should have been determined) to be vacant or abandoned, until the time it is conveyed to HUD.

Mortgagee Optional Election (MOE) Assignment (applicable to HECMs only)

Mortgagee Optional Election (MOE) Assignment refers to an assignment option available to Mortgagees for cases where an FHA case number was assigned prior to August 4, 2014 and is associated with an Eligible Surviving NBS.

Mortgagee Optional Election (MOE) Assignment Deferral Period (applicable to HECMs only)

Mortgagee Optional Election (MOE) Assignment Deferral Period refers to the period of time following the death of the last surviving Borrower for an eligible HECM with an FHA case number assigned prior to August 4, 2014, and associated with an Eligible Surviving NBS, during which time the Due and Payable status of a HECM is deferred based on the continued satisfaction of the requirements for an Eligible Surviving NBS under this section and all other FHA requirements.

Mortgages Delinquent within the First Two Years

Mortgages Delinquent within the First Two Years are Mortgages that were reported to HUD as 90 days or more Delinquent in the 24-month period; this delinquent status includes Mortgages that went into default but have subsequently cured.

Multifamily Property Improvement Loan (applicable to Title I only)

A Multifamily Property Improvement Loan refers to a Loan to finance the alteration, repair, improvement, or conversion of an Existing Structure used or to be used as an apartment house or a dwelling for two or more families. The multifamily Structure may not be owned by a

corporation, partnership, or trust, unless prior approval from the Secretary is obtained for an exception to this requirement.

N

Name and Address Identification (NAID)

A Name and Address Identification (NAID) number is used by HUD to track the payee of HUD funds.

Net Principal Limit (NPL) (applicable to HECMs only)

Net Principal Limit (NPL) refers to the amount of HECM funds available to, or to be paid on behalf of, the Borrower after deducting all fees and charges that are required as a condition of the Mortgage and prior disbursements from the Principal Limit.

Net Sale Proceeds

Net Sale Proceeds are the proceeds of a PFS sale, calculated by subtracting reasonable and customary closing settlement costs, and any outstanding balances on Partial Claim(s) or Payment Supplements(s) from the property sales price.

Net Self-Sufficiency Rental Income

Net Self-Sufficiency Rental Income refers to the Rental Income produced by the subject Property over and above the Principal, Interest, Taxes, and Insurance (PITI).

New Construction

New Construction refers to Proposed Construction, Properties (or Condominium Projects) Under Construction, and Properties Existing Less than One Year as defined below:

- Proposed Construction refers to a Property where no concrete or permanent material has been placed. Digging of footing is not considered permanent.
- Under Construction refers to the period from the first placement of permanent material to 100 percent completion with no Certificate of Occupancy (CO) or equivalent.
- Existing Less than One Year refers to a Property that is 100 percent complete and has been completed less than one year from the date of issuance of the CO or equivalent. The Property must have never been occupied.

New Construction for Manufactured Housing (applicable to Title II only)

New Construction for Manufactured Housing refers to a Manufactured Home that has been permanently erected on a site for less than one year prior to the case number assignment date.

New Manufactured Home (applicable to Title I only)

New Manufactured Home refers to a home, which has not been previously occupied, purchased by a Borrower within 18 months after the date of manufacture.

Non-Borrowing Owner (applicable to HECMs only)

Non-Borrowing Owner refers to someone who is:

- not a Borrower;

- not the spouse of a Borrower; and
- on the title as an owner to the Property that will serve as collateral for the HECM.

Non-Borrowing Spouse (NBS) (applicable to HECMs only)

Non-Borrowing Spouse (NBS) refers to the spouse of a HECM Borrower who is not also a Borrower.

Non-Borrowing Spouse Debt

Non-Borrowing Spouse Debt refers to debts owed by a spouse that are not owed by, or in the name of the Borrower.

Non-Gut Rehabilitation (Non-Gut Rehab)

Non-Gut Rehabilitation (Non-Gut Rehab) refers to rehabilitation work that is not structural and is limited to minor property repairs and improvements.

Non-Monetary Default

Non-Monetary Default is when the Borrower fails to perform obligations, other than making monthly payments, contained in the mortgage security instrument for a period of 30 Days.

Non-Occupant Borrower

A Non-Occupant Borrower refers to a Borrower on a Mortgage securing a Property that is not occupied by any Borrower or is not the Principal Residence.

Non-Occupying Borrower Transaction

Non-Occupying Borrower Transaction refers to a transaction involving two or more Borrowers in which one or more of the Borrower(s) will not occupy the Property as their Principal Residence.

Nonprofit Instrumentality of Government (NPIOG)

A Nonprofit Instrumentality of Government (NPIOG) refers to a 501(c)(3) organization that was established by a governmental body or with governmental approval or under special law to serve a particular public purpose or designated as an instrumentality by law (statute or court opinion). FHA requires the unit of government that established the nonprofit to exercise Organizational Control, Operational Control, or Financial Control of the nonprofit in its entirety or, at minimum, the specific homebuyer assistance program that is using FHA's credit enhancement.

Organizational Control refers to the majority of the governing board and/or Principal Officers that are named or approved by governmental body/officials.

Operational Control refers to the requirement that the government body approves all major decisions and/or expenditures.

Financial Control refers to the requirement that the government body provides funds through direct appropriations, grants, or loans, with related controls applicable to all activities of the entity.

Nonresidential Property Improvement Loan (applicable to Title I only)

A Nonresidential Property Improvement Loan refers to a Loan made to finance the construction of a new, exclusively nonresidential Structure or the alteration, repair, or improvement of an Existing Structure that is nonresidential. Such a Structure may be temporarily used for residential purposes while the Borrower constructs a new dwelling to replace a dwelling previously occupied by the Borrower that was destroyed or damaged by conditions determined by the President to warrant relief under the provisions of 42 U.S.C. Chapter 68, provided that the credit application is filed within one year from the date of such a determination.

Nonsupervised Mortgagee

A Nonsupervised Mortgagee is a lending institution that has as its principal activity the lending or investing of funds in real estate Mortgages, consumer installment notes, or similar advances of credit, the purchase of consumer installment contracts, or from a directly related field. A directly related field is something directly related to the lending or investing of funds in real estate Mortgages, not simply actions relating to real estate in general.

Non-Surchargeable Damage

Non-Surchargeable Damage is damage to a Property that is not Surchargeable Damage.

Nontaxable Income

Nontaxable Income refers to types of income not subject to federal taxes, which includes, but is not limited to:

- some portion of Social Security income;
- some federal government employee Retirement Income;
- Railroad Retirement benefits;
- some state government Retirement Income;
- certain types of disability and Public Assistance payments;
- Child Support;
- Section 8 Housing Choice Vouchers;
- military allowances; and
- other income that is documented as being exempt from federal income taxes.

Non-Traditional Mortgage Credit Report (NTMCR)

A Non-Traditional Mortgage Credit Report (NTMCR) refers to a type of credit report designed to access the credit history of a Borrower who does not have the types of trade references that appear on a traditional credit report.

Non-Traditional Mortgage Credit Report (NTMCR) (applicable to HECMs only)

A Non-Traditional Mortgage Credit Report (NTMCR) is designed to access the credit history of a Borrower who does not have the types of trade references that appear on a traditional credit report and is used either as:

- a substitute for a Tri-Merged Credit Report (TRMCR) or a Residential Mortgage Credit Report (RMCR); or
- a supplement to a traditional credit report that has an insufficient number of trade items reported to generate a credit score.

Note

Note refers to any form of credit instrument commonly used in a jurisdiction to evidence a Mortgage.

Notes Receivable Income

Notes Receivable Income refers to income received by the Borrower as payee or holder in due course of a promissory Note or similar credit instrument.

Notice of Deficiency (NOD)

A Notice of Deficiency (NOD) refers to a formal notification from FHA to an appraiser when a review identifies an error or lack of compliance. An NOD is not a sanction and is not considered severe enough to require remedial education or removal.

Notice of Intent to Prepay

Notice of Intent to Prepay refers to the advance notice that Borrowers on Mortgages insured before August 2, 1985, must provide in order to prepay their FHA-insured Mortgages in full without penalty.

Notice of Material Event

A Notice of Material Event is the method of submitting a required notice to FHA of a change to the information provided by the Mortgagee at application as evidence of approval eligibility, or a change that affects the Mortgagee's standing as an FHA-approved Mortgagee.

O

Obligor

Obligor refers to a person or entity who is legally or contractually obliged to make all Principal and Interest (P&I) payments on a debt.

Occupancy Follow-Up

An Occupancy Follow-Up is an attempt to communicate with the Borrower via letter, telephone, or other method of communication, other than on-site inspection, to determine occupancy when the Mortgage remains in Default after the initial inspection and the Mortgagee has not determined the Borrower's occupancy status.

Occupancy Inspection

An Occupancy Inspection is a visual inspection of a mortgaged Property by the Mortgagee to determine if the mortgaged Property has become vacant or abandoned and to confirm the identity of any occupants.

Occupied Conveyance

An Occupied Conveyance is the conveyance to HUD of a Property that is not vacant.

Onset of an Economic Event

Onset of an Economic Event refers to the month of loss of employment/income.

Onsite Sewage Disposal System

An Onsite Sewage Disposal System refers to wastewater systems designed to treat and dispose of effluent on the same Property that produces the wastewater.

Other Non-Borrowing Household Member (applicable to HECMs only)

Other Non-Borrowing Household Member refers to a person who occupies the Property to be secured with the HECM who is not the spouse of the Borrower and who is also not a Borrower.

Outside of the Waterfall Loan Modification

An Outside of the Waterfall Loan Modification (OWL) refers to a permanent change in one or more terms of a Borrower's Mortgage that achieves a minimum reduction to the Borrower's monthly Principal & Interest (P&I) payment where the Borrower has been unresponsive.

Overhead Electric Power Transmission Lines

Overhead Electric Power Transmission Lines refer to electric lines that supply power from power generation stations to Local Distribution Lines.

Overtime, Bonus, or Tip Income

Overtime, Bonus, or Tip Income refers to income that the Borrower receives in addition to the Borrower's normal salary.

Owner Occupancy Percentage

Owner Occupancy Percentage refers to the percentage of Units considered owner-occupied as shown in the calculation.

Owner-Occupant Borrower

An Owner-Occupant Borrower refers to a Borrower residing in the Property secured by the FHA-insured Mortgage as a Principal Residence.

Owner-Occupant Buyer

An Owner-Occupant Buyer is a buyer who intends to use the Property as their Principal Residence.

P**Partial Claim**

A Partial Claim is FHA's reimbursement of a Mortgagee advancement of funds on behalf of the Borrower in an amount necessary to assist in reinstating the Delinquent Mortgage and, where applicable, a principal deferment.

Partial Payment

A Partial Payment is a payment of any amount less than the full amount due under the Mortgage/Loan at the time the payment is tendered, including Late Charges and amounts advanced by the Mortgage/Lender on behalf of the Borrower.

Partial Prepayment

A Partial Prepayment is a payment of part of the principal amount before the date on which the principal is due.

Partially Below-Grade Habitable Space

Partially Below-Grade Habitable Space refers to living area constructed partially below grade, but has the full utility of GLA.

Partially Funded Life Expectancy Set-Aside (LESA) (applicable to HECMs only)

Partially Funded Life Expectancy Set-Aside (LESA) refers to a portion of the Borrower's Principal Limit that is designated for partial payment of property taxes, Hazard Insurance, and, if applicable, Flood Insurance for the estimated remainder of the Borrower's life expectancy. With a Partially Funded LESA, the Mortgagee makes payments to the Borrower who is responsible for the remaining amounts owed and delivering the full payment to the billing agency.

Participating Agency (applicable to HECMs only)

Participating Agency refers to all housing counseling and intermediary organizations participating in HUD's Housing Counseling program, including HUD-approved agencies, and affiliates and branches of HUD-approved intermediaries, HUD-approved multi-state organizations, and state housing finance agencies.

Part-Time Employment

Part-Time Employment refers to employment that is not the Borrower's primary employment and is generally performed for less than 40 hours per week.

Payment Supplement

The Payment Supplement is a loss mitigation option that utilizes Partial Claim funds to bring the Mortgage current coupled with the subsequent provision of a Monthly Principal Reduction (MoPR) applied toward the Borrower's principal due each month for a period of 36 months to provide payment relief without modification of the Mortgage. The Payment Supplement is evidenced by a non-interest bearing Note, Subordinate Mortgage, and Payment Supplement Agreement, which is a rider to and is incorporated by reference into the Payment Supplement promissory Note, given in favor of the Secretary, representing the total of all funds paid from the Mutual Mortgage Insurance Fund (MMIF) to bring the Mortgage current and then temporarily pay a portion of principal owed by the Borrower each month to reduce the Borrower's monthly Mortgage Payment.

Payment Supplement Account

The Payment Supplement Account is a separate, non-interest bearing, insured custodial account that holds the balance of the funds paid by FHA for the purpose of implementing the Payment Supplement, clearly marked as holding funds for the Payment Supplement, and kept separate from funds associated with the FHA-insured Mortgage, including escrow funds.

Payment Supplement Documents

Payment Supplement Documents refer to a non-interest bearing Note, Subordinate Mortgage, and a Payment Supplement Agreement, which is a rider to and is incorporated by reference into the Payment Supplement promissory Note, given in favor of the Secretary.

Payment Supplement Period

The Payment Supplement Period is a 36 month period during which the Mortgagee applies the MoPR to temporarily reduce the Borrower's monthly Mortgage Payment.

Payoff

See **Prepayment in Full**.

Payoff Disclosure

A Payoff Disclosure is a disclosure accompanying the payoff statement and, for Mortgages closed before January 21, 2015, describing the procedures for prepayment of a Mortgage.

Pension

Pension refers to income received from the Borrower's former employer(s).

Periodic Review

A Periodic Review refers to the monitoring of the work performed by the DELRAP Mortgagee and its DELRAP staff reviewer to ensure compliance with FHA requirements.

Permanent Home Retention Options

Permanent Home Retention Options refer to Standalone Partial Claims, Standalone Loan Modifications, Combination Loan Modifications and Partial Claims, and Payment Supplements.

Personal Property

Personal Property refers to tangible property, other than Real Property, such as cars, recreational vehicles, stamps, coins, or other collectibles.

Phasing

Phasing refers to Condominium Projects that are legally declared in separate stages by amending and recording the governing documents.

Phasing Review

Phasing Review refers to the review of an additional Legal Phase of a previously Approved Condominium Project.

Planned Unit Development (PUD)

A Planned Unit Development (PUD) refers to a residential development that contains, within the overall boundary of the subdivision, common areas and facilities owned by a Homeowners' Association (HOA), to which all homeowners must belong and to which they must pay lien-supported assessments. A unit in a PUD consists of the fee or leasehold title to the real estate represented by the land and the improvements thereon plus the benefits arising from ownership of an interest in the HOA.

Positive Rental Payment History

Positive Rental Payment History refers to the on time payment by a Borrower of all rental payments in the previous 12 months. A rental payment is considered to be on time when it is paid within the month due.

Post-Action Review

A Post-Action Review refers to evaluations of submitted Unconditional DELRAP Authority packages.

Pre-Conveyance Inspection

A Pre-Conveyance Inspection is an inspection performed by HUD, at the Mortgagee's request, before conveyance to determine if a Property meets HUD's conveyance standards.

Pre-Foreclosure Sales (PFS)

Pre-Foreclosure Sales (PFS), also known as Short Sales, refer to the sales of real estate that generate proceeds that are less than the amount owed on the Property and the lien holders agree to release their liens and forgive the deficiency balance on the real estate.

Pre-Foreclosure Sale (PFS) Approval to Participate (ATP)

A Pre-Foreclosure Sale (PFS) Approval to Participate (ATP) is an agreement signed by the Borrower to confirm their willingness to comply with the PFS Program requirements.

Premium Pricing

Premium Pricing refers to the aggregate credits from a Mortgagee or TPO at the interest rate chosen.

Prepayment in Full

A Prepayment in Full, or Payoff, refers to the payment in whole of the principal amount of the mortgage/loan Note/HECM in advance of expiration of the term of the mortgage/loan Note/HECM.

Primary Obligor

Primary Obligor refers to a person or entity who is legally or contractually obliged to make all Principal and Interest (P&I) payments on a debt.

Principal Limit (applicable to HECMs only)

Principal Limit refers to the maximum amount of proceeds that a Borrower may receive from the HECM before any Disbursements are made, taking into account the age of the youngest Borrower or Eligible NBS, the Expected Rate, and the Maximum Claim Amount.

Principal Limit Factor (applicable to HECMs only)

Principal Limit Factor refers to a multiplier supplied by FHA used to calculate the initial Principal Limit and is available on the [HUD website](#).

Principal Officer

See **Corporate Officer**.

Principal Owner

A Principal Owner is any individual or entity meeting the following thresholds or roles for the applicable business form:

Business Form	Principal Owners
Publicly Traded Corporation	10% or more ownership
Private or Close Corporation	25% or more ownership
Limited Liability Company	All Members
Partnerships	All Partners

Principal Residence

A Principal Residence refers to a dwelling where the Borrower maintains or will maintain their permanent place of abode, and which the Borrower typically occupies or will occupy for the majority of the calendar year. A person may have only one Principal Residence at any one time.

Principal Residence (applicable to HECMs only)

Principal Residence refers to the dwelling where the Borrower and, if applicable, an NBS maintain their permanent place of abode, and typically spend the majority of the calendar year. A person may have only one Principal Residence at any one time and the Property is considered to be the Principal Residence:

- of any Borrower who is temporarily in a health care institution provided the Borrower's confinement to a health care institution does not exceed 12 consecutive months;
- of any NBS who is temporarily in a health care institution, as long as the Property is the Principal Residence of their Borrower spouse, who physically resides in the Property;
- of any NBS who occupies the property as their Principal Residence, when the Borrower resides in a health care institution for a length of time; and
- during a Deferral Period of the NBS, who is temporarily in a health care institution, provided the Eligible NBS physically occupied the Property immediately prior to entering the health care institution and such confinement does not exceed 12 consecutive months.

Private Savings Club

A Private Savings Club refers to a non-traditional method of saving by making deposits into a member-managed resource pool.

Projected Life Expectancy Property Charges (applicable to HECMs only)

Projected Life Expectancy Property Charges refer to the amount of HECM proceeds necessary to pay property taxes, Hazard Insurance, and Flood Insurance, if applicable, based on the life expectancy of the youngest Borrower.

Property

Property refers to the real estate entity that will serve as adequate security for a specific FHA-insured Mortgage.

Property Assessed Clean Energy (PACE)

Property Assessed Clean Energy (PACE) refers to an alternative means of financing energy and other PACE-allowed improvements to residential properties using financing provided by private enterprises in conjunction with state and local governments. Generally, the repayment of the PACE obligation is collected in the same manner as a special assessment tax; it is collected by the local government rather than paid directly by the Borrower to the party providing the PACE financing.

Generally, the PACE obligation is also secured in the same manner as a special assessment against the property. In the event of a sale, including a foreclosure sale, of the property with outstanding PACE financing, the obligation will continue with the property causing the new homeowner to be responsible for the payments on the outstanding PACE amount. In cases of foreclosure, priority collection of delinquent payments for the PACE assessment may be waived or relinquished.

Properties that will remain encumbered with a PACE obligation after closing are not eligible for FHA mortgage insurance.

Property Charge Set-Aside (applicable to HECMs only)

A Property Charge Set-Aside refers to a portion of a Borrower's Principal Limit that is designated for payment of Property Charges. A Property Charge Set-Aside can result from a Borrower being required to establish a Life Expectancy Set-Aside (LESA) or when a Borrower elects to have the Mortgagee pay Property Charges on their behalf.

Property Charges (applicable to HECMs only)

Property Charges refer to obligations of the Borrower that include:

- property taxes;
- Hazard Insurance premiums;
- applicable Flood Insurance premiums;
- Ground Rents;
- Planned Unit Development (PUD) fees;
- Homeowners' Association (HOA)/Condominium Fees; and
- other special assessments that may be levied by municipalities or state law.

Property Flipping

Property Flipping refers to the purchase and subsequent resale of a Property in a short period of time.

Property Improvement Loan (applicable to Title I only)

Property Improvement Loan refers to a Loan made to finance actions or items that substantially protect or improve the basic livability or utility of a Property. Unless otherwise indicated, the term includes:

- Single Family, Multifamily and Nonresidential Property Improvement Loans;
- Manufactured Home Improvement Loans classified as real estate or as Personal Property;
- Historic Preservation Loans; and
- Fire Safety Equipment Loans in existing Health Care Facilities.

Property Preservation and Protection (P&P)

Property Preservation and Protection (P&P) actions are maintenance, security, and repair work required by HUD in order to ensure that the Property meets HUD's conveyance condition standards.

Property Value

Property Value refers to the value as determined by the FHA Roster Appraiser.

Proposed Construction

Proposed Construction refers to a Property where no concrete or permanent material has been placed. Digging of footing is not considered permanent.

Public Assistance

Public Assistance refers to income received from government assistance programs.

Purchasing Mortgage Holder

The Purchasing Mortgage Holder or Purchasing Mortgagee is the Mortgagee that purchases the Mortgage and thereby succeeds to all rights and obligations of the Selling Mortgage Holder under the contract for mortgage insurance.

Q

Qualifying Attributes (applicable to HECMs only)

Qualifying Attributes refer to the criteria an NBS must meet to be eligible for the Deferral Period. An Eligible NBS must:

- have been the spouse of a HECM Borrower at the time of closing and have remained the spouse of such HECM Borrower for the duration of the HECM Borrower's lifetime;
- have been properly disclosed to the Mortgagee at origination and specifically named as an NBS in the HECM documents; and
- have occupied, and continue to occupy, the Property securing the HECM as the Principal Residence of the NBS.

Quality Control (QC) Plan

A Quality Control (QC) Plan is a written plan that sets forth a Mortgagee's procedures for ensuring quality control. A QC Plan is the written element of a Mortgagee's QC Program.

Quality Control (QC) Plan (applicable to nonprofits only)

A Quality Control (QC) Plan outlines the processes and procedures used by the nonprofit to monitor its compliance with FHA nonprofit program guidelines.

Quality Control (QC) Program

A Quality Control (QC) Program is the process and written procedures through which the Mortgagee seeks to ensure that FHA operations and Loan Administration are in compliance with all applicable requirements.

R

Rate and Term

Rate and Term refers to a no cash-out refinance of any Mortgage in which all proceeds are used to pay existing mortgage liens on the subject Property and costs associated with the transaction.

Real Estate Commission from Sale of Subject Property

Real Estate Commission from Sale of Subject Property refers to the Borrower's portion of a real estate commission earned from the sale of the Property being purchased.

Real Property

Real Property refers to the interests, benefits, and rights inherent in the ownership of physical real estate.

Reasonable Diligence Time Frame

The Reasonable Diligence Time Frame is the time period beginning at the earlier of the date the first legal action should have been filed in accordance with HUD time frames or the date the actual first legal action required by the jurisdiction to commence foreclosure was taken, and ending with the later date of acquiring good marketable title to, and possession of, the Property.

Recertification Review

Recertification Review refers to the verification and analysis of updated Condominium Project Approval documentation.

Reconveyance

A Reconveyance is a conveyance of a Property from HUD back to the Mortgagee due to the Mortgagee's failure to comply with HUD's conveyance requirements.

Recorded Documents

Recorded Documents refer to the Condominium Project's legal, project, and governing documents that are required to operate legally as required by state and local law.

Recovery from an Economic Event

Recovery from an Economic Event refers to the reestablishment of Satisfactory Credit.

Recreational Leases

Recreational Leases refer to separate ownership of recreational facilities at a Condominium Project with the owner leasing its use to the Unit owners.

Re-Default

A Re-Default is a mortgage Default occurring within six months after reinstatement or the successful use of a **Permanent Home Retention Option**.

Related Party

Related Party includes, but is not limited to:

- an individual serving as the Unit owners' officer, director, or employee; or
- a Unit owner's direct parent company, subsidiary, or any related entity with which the Unit owner shares a common officer or director.

Remote Observation

Remote Observation is a technology-based method that allows the Appraiser to directly observe the Property characteristics, concurrently and in coordination with another individual at the Property. The technology must provide data capture of the observation and include metadata with geocoding for location confirmation.

Rental Income

Rental Income refers to income received or to be received from the subject Property or other real estate holdings.

Rental for Transient or Hotel Purposes

Rental for Transient or Hotel Purposes shall have the meaning given in section 513(e) of the National Housing Act (12 U.S.C. 1731b(e)).

Repair Set-Aside (applicable to HECMs only)

Repair Set-Aside refers to an amount withheld from the HECM proceeds to fund repairs required to bring the mortgaged Property into compliance with Minimum Property Standards (MPS).

Repayment Plan (applicable to Servicing only)

A Repayment Plan allows a Borrower to resume their Mortgage Payment after a Delinquency and includes an additional amount required to repay the Arrearages, as calculated in Appendix 4.0 – FHA Home Retention Options Calculations, Part A: Arrearages, Step 2, over a specific period to reinstate the Mortgage.

Repayment Plan (applicable to HECMs only)

Repayment Plan refers to a written agreement by the Borrower to make monthly payments to the Mortgagee to reimburse the Mortgagee for corporate advances made on the Borrower's behalf for taxes and/or insurance.

Reserves

Reserves refer to the sum of the Borrower's verified and documented liquid assets minus the total funds the Borrower is required to pay at closing.

Residential Mortgage Credit Report (RMCR)

A Residential Mortgage Credit Report (RMCR) refers to a credit report that provides details on items that have been flagged in a merged report as a result of combining reports from the three credit repositories (Equifax, Trans Union, and Experian).

Residential Real Estate-Related Transactions

Residential Real Estate-Related Transactions are transactions related to the making or purchasing of Mortgages or providing other financial assistance to a Borrower for purchasing, constructing, improving, repairing, or maintaining a dwelling or securing residential real estate, and similar transactions.

Residential Space

Residential Space refers to floor area allocated to:

- all Unit square footage;
- all building common area square footage exclusively for the use of residential Unit owners; and
- all parking garage square footage allocated to residential Unit owners.

Parking lot square footage is not considered Residential or Commercial/Nonresidential Space.

Residual Income (applicable to HECMs only)

Residual Income refers to the total monthly Effective Income from all sources described in Effective Income Analysis for the Borrowers obligated on the Mortgage, minus the total monthly expenses from all sources described in Monthly Expense Analysis for the Borrowers obligated on the Mortgage.

Resolution of Financial Distress Event

Resolution of Financial Distress Event refers to:

- bankruptcy discharge;
- termination of receivership;
- issuance of foreclosure judgment; or
- execution of DIL of Foreclosure.

Retirement Income

Retirement Income refers to income received from Pensions, 401(k) distributions, and Social Security.

Revitalization Area

A Revitalization Area is a designated geographic area in which HUD identifies Properties eligible for disposition through discount sales programs.

Revolving Charge Accounts

A Revolving Charge Account refers to a credit arrangement that requires the Borrower to make periodic payments but does not require full repayment by a specified point of time.

Running Gear

Running Gear refers to a mechanical system designed to allow the Manufactured Housing unit to be towed over public roads.

S

Sale of Real Property

The Sale of Real Property refers to the sale of Property currently owned by the Borrower.

Sales Concessions

Sales Concessions refer to non-realty items, upgraded features in newly constructed houses, and special financing incentives.

Sales Contract Date

Sales Contract Date refers to the date the sales contract is executed by all parties.

Sanction

A Sanction is any penalty, punitive, or restrictive measure taken either for a failure to comply with or an alleged failure to comply with a court order, federal, state, or local government law, rule, or regulation.

Seasonal Employment

Seasonal Employment refers to employment that is not year round, regardless of the number of hours per week the Borrower works on the job.

Secondary Residence

Secondary Residence refers to a dwelling that a Borrower occupies in addition to their Principal Residence, but less than a majority of the calendar year. A Secondary Residence does not include a Vacation Home.

Self-Employment Income

Self-Employment Income refers to income generated by a business in which the Borrower has a 25 percent or greater ownership interest.

There are four basic types of business structures. They include:

- sole proprietorships;
- corporations;
- limited liability or “S” corporations; and
- partnerships.

Selling Mortgage Holder

The Selling Mortgage Holder or Selling Mortgagee is the Mortgagee that sells the Mortgage and thereby relinquishes all rights and obligations under the contract for mortgage insurance.

Semi-Annual Rate

The Semi-Annual Rate is the rate in effect for debentures listed at <https://www.hud.gov/hud-partners/housing-debenture-interest-rates>.

Servicer

See **Mortgage Servicer (Servicer)**.

Servicing Fee Set-Aside (applicable to HECMs only)

Servicing Fee Set-Aside refers to an amount withheld from the HECM proceeds for the payment of the monthly servicing fee.

Servicing File

Servicing File refers to the Mortgagee's record of all servicing activity on an FHA-insured Mortgage/HECM.

Set-Aside (applicable to HECMs only)

A Set-Aside refers to an amount of funds withheld by the Mortgagee from the Borrower's HECM funds for payment of certain fees and expenses. Set-Aside types include:

- Repair Set-Asides
- Property Charge Set-Asides
- Servicing Fee Set-Asides

Settlement Statement

Settlement Statement refers to the closing disclosure required under Section 4 of the Real Estate Settlement Procedures Act.

Shared Well

A Shared Well refers to a well that services two to four homes where there is a binding Shared Well Agreement between the property owners that meets FHA requirements.

Short Sales

See **Pre-Foreclosure Sales**.

Simple Refinance

Simple Refinance refers to a no cash-out refinance of an existing FHA-insured Mortgage in which all proceeds are used to pay the existing FHA-insured mortgage lien on the subject Property and costs associated with the transaction.

Single Family

Single Family refers to one- to four-unit dwellings.

Single Family Dwelling (applicable to Title I only)

A Single Family Dwelling refers to a one-unit residential Structure that was completed and occupied for a time period of at least 90 Days prior to loan application.

Single Family Property Improvement Loan (applicable to Title I only)

A Single Family Property Improvement Loan refers to a Loan to finance alterations, repairs, and improvements to or in connection with an Existing Structure used or to be used as a Single Family residence.

Single-Unit Approval

Single-Unit Approval refers to approval of a Unit in a Condominium Project that is not an Approved Condominium Project.

Site Condominium

A Site Condominium refers to:

- a Condominium Project that consists entirely of Single Family detached dwellings that have no shared garages, or any other attached buildings; or
- a Condominium Project that:
 - consists of Single Family detached or horizontally attached (townhouse-style) dwellings where the Unit consists of the dwelling and land;
 - does not contain any Manufactured Housing Units; and
 - is encumbered by a declaration of condominium covenants or a condominium form of ownership.

Slush Pit

A Slush Pit refers to a basin in which drilling “mud” is mixed and circulated during drilling to lubricate and cool the drill bit and to flush away rock cuttings.

Small Supervised Mortgagee

A Small Supervised Mortgagee is a Supervised Mortgagee that has consolidated assets below the threshold for audited financial reporting established by the Federal Banking Agency with oversight of the Mortgagee. Thresholds are codified at [12 CFR §§ 363.1\(a\), 562.4\(b\)\(2\), and 715.4\(c\)](#) and are subject to change.

Social Security Income

Social Security Income or Supplemental Security Income (SSI) refers to income received from the SSA other than disability income.

Soil Contamination

Soil Contamination refers to the presence of manmade chemicals or other alterations to the natural soil environment.

Special Energy System

A Special Energy System refers to any addition, alteration, or improvement to an existing or new Structure that is designed to utilize wind, geothermal, or solar energy to produce energy to support the habitability of the Structure.

Special Forbearance (SFB) – Unemployment Agreement

The Special Forbearance (SFB) – Unemployment Agreement is a written agreement between a Mortgagee and the Borrowers, one or more of whom has become unemployed, allowing for reduced and/or suspended Mortgage Payments.

Special Forbearance (SFB) - Unemployment Option

The Special Forbearance (SFB) – Unemployment Option is a Home Retention Option available when one or more of the Borrowers have become unemployed and this loss of employment has negatively affected the Borrower's ability to continue to make their monthly Mortgage Payment.

Standalone Loan Modification

A Standalone Loan Modification refers to a permanent change in one or more terms of a Borrower's Mortgage to resolve the outstanding Arrearage by re-amortizing the total outstanding debt at the Market Rate and extending the term.

Standard Deed-in-Lieu (DIL)

A Standard Deed-in-Lieu (DIL) is a DIL available for Owner-Occupant Borrowers who experienced a verifiable hardship that has affected their ability to sustain their Mortgage but who do not meet the requirements of a Streamlined DIL Option.

Standard Pre-Foreclosure Sale (PFS)

A Standard Pre-Foreclosure Sale (PFS) Option is available for Owner-Occupant and Non-Occupant Borrowers and does not require verification of hardship.

Standard Pre-Foreclosure Sale (PFS) Option

A Standard Pre-Foreclosure Sale (PFS) Option is a PFS Option available for Owner-Occupant Borrowers who are experiencing a hardship affecting their ability to sustain their Mortgage, as determined by the Deficit Income Test (DIT) and:

- are in Default; or
- are current or less than 30 Days past due but facing Imminent Default due to a hardship as described in the Eligible Borrowers section.

Streamline Refinance

Streamline Refinance refers to the refinance of an existing FHA-insured Mortgage requiring limited Borrower credit documentation and underwriting.

Streamlined Deed-in-Lieu (DIL)

A Streamlined Deed-in-Lieu (DIL) is a DIL transaction for Owner-Occupant Borrowers and Non-Occupant Borrowers.

Streamlined Deed-in-Lieu (DIL) for Servicemembers with Permanent Change of Station (PCS) Orders

A Streamlined Deed-in-Lieu (DIL) for Servicemembers with Permanent Change of Station (PCS) Orders Option is a Streamlined DIL that may be offered to servicemembers who must relocate to a new duty station at least 50 miles away from their existing residence, without the Mortgagee verifying hardship.

Streamlined Pre-Foreclosure Sale (PFS) for Servicemembers with Permanent Change of Station (PCS) Orders

A Streamlined Pre-Foreclosure Sale (PFS) for Servicemembers with Permanent Change of Station (PCS) Orders is a Streamlined PFS that may be offered to servicemembers **with PCS Orders** who must relocate to a new duty station at least 50 miles away from their existing residence.

Structure

Structure refers to a building that has a roof and walls, stands permanently in one place, and contains single or multiple housing units that are used for human habitation. For 203(k) Rehabilitation Mortgage eligibility, a one-family dwelling unit in a multi-unit Condominium Project may be considered a single-unit Structure and a townhouse in townhouse-style condominium may be considered a single-unit Structure provided each townhouse-style unit is separated by a one and one-half hour firewall from foundation to roof.

Student Loan

Student Loan refers to liabilities incurred for educational purposes.

Subordination Agreement (applicable to HECMs only)

A Subordination Agreement refers to an action necessary to correct the recordation order when the second HECM has been inadvertently recorded before the first. Recording a Subordination Agreement for the second HECM must result in the Mortgagee's HECM lien being a first mortgage lien.

Substantially Damaged

A building is considered to be "Substantially Damaged," as defined in the National Flood Insurance Program (NFIP) regulations, when "damage of any origin is sustained by a structure whereby the cost of restoring the structure to its before damaged condition would equal or exceed 50 percent of the market value of the structure before the damage occurred."

Supervised Mortgagee

A Supervised Mortgagee is a financial institution that is a member of the Federal Reserve System or whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA) (collectively, "Federal Banking Agencies").

Surchargeable Damage

Surchargeable Damage is damage to a Property caused by fire, flood, earthquake, tornado, hurricane, boiler explosion (for condominiums only), or Mortgagee Neglect.

Surplus Income Percentage

Surplus Income Percentage is a percentage calculated in the Mortgagee's financial analysis to determine which Loss Mitigation Options are appropriate based on the Borrower's income.

Surplus Land

Surplus Land refers to land that is not currently needed to support the existing improvement but cannot be separated from the Property and sold off. Surplus Land does not have an independent highest and best use and may or may not contribute to the value of the improved parcels.

Sweat Equity

Sweat Equity refers to labor performed, or materials furnished, by or on behalf of the Borrower before closing on the Property being purchased.

T

Tax Return

Tax Return refers to a U.S. federal income tax return or, for Borrowers who reside in Puerto Rico, Guam, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, or American Samoa and who are not required to file U.S. federal income taxes, the Mortgagee must obtain the equivalent tax filing for the territory (a territory tax return).

Technology Open To Approved Lenders (TOTAL)

Technology Open To Approved Lenders (TOTAL) refers to FHA's TOTAL Mortgage Scorecard, which evaluates the overall creditworthiness of the Borrower, based on a number of credit variables and, when combined with the functionalities of the Automated Underwriting System (AUS), indicates a recommended level of underwriting and documentation to determine a loan's eligibility for insurance by the FHA.

Test Case

Test Case refers to a Mortgage submitted to HUD by a Mortgagee when requesting during the Test Case Phase for Unconditional Direct Endorsement approval. These Mortgages must be processed per the Direct Endorsement eligibility requirements and reviewed by HUD for endorsement approval.

Test Case Phase

The Test Case Phase is when a Mortgagee with conditional authority is approved by FHA to submit one or more Test Cases for FHA underwriting review.

Third Party Documents

Third Party Documents refer to those documents that are originated and signed outside of the control of the Mortgagee, such as the sales contract.

Third-Party Originator (TPO)

A Third-Party Originator (TPO) is an entity that originates FHA Mortgages for an FHA-approved Mortgagee acting as its sponsor. A TPO may be an FHA-approved Mortgagee or a non-FHA-approved entity.

Third Party Verification (TPV)

Third Party Verification (TPV) refers to a process through which a Mortgagee may use a third party vendor to independently verify information in a loan application or otherwise required for loan approval. TPV can be used to verify employment, income, assets, credit, and occupancy.

Tier Ranking System (TRS)

The Tier Ranking System (TRS) II is a methodology for quantifying a Mortgagee's performance in complying with HUD's Loss Mitigation and Delinquent servicing policies.

Tiered Pricing

Tiered Pricing refers to any variance in Mortgage Charge Rates of more than two percentage points from the Mortgagee's reasonable and customary rate for insured Mortgages for dwellings located within the area.

Title I Lender

A Title I Lender is a Lender that (a) holds a valid Title I Contract of Insurance and is approved by FHA to participate in the Title I program under the National Housing Act (12 U.S.C. § 1703 et seq.), or (b) is under suspension or holds a Title I Contract of Insurance that has been terminated or suspended but remains responsible for servicing or selling the Title I Loans that it holds and is authorized to file insurance claims on such Title I Loans.

Title I Mortgagee

See **Title I Lender**.

Title II Mortgagee

A Title II Mortgagee is a Mortgagee that has been approved to participate in Title II and/or Title XI programs under the National Housing Act (12 U.S.C. § 1707 et seq. and 12 U.S.C. § 1749aaa et seq.).

Total Floor Area

Total Floor Area refers to all Residential Space and Commercial/Nonresidential Space.

Total Loan Amount

Total Loan Amount of the FHA Mortgage is the mortgage amount including the amount of any financed UFMIP. The insured mortgage amount is the Total Loan Amount.

Total Required Investment

Total Required Investment refers to the amount the Borrower must contribute to the transaction including the Borrower's downpayment and the Borrower-paid transaction costs. The Total Required Investment includes the MRI.

Trade Equity

Trade Equity refers to when a Borrower trades their Real Property to the seller as part of the cash investment.

Trade-In of Manufactured Home

Trade-In of Manufactured Home refers to the Borrower's sale or trade-in of another Manufactured Home that is not considered real estate to a Manufactured Housing dealer or an independent third party.

Transfer Date

The Transfer Date is the date on which the Borrower's Mortgage Payment is first due to the Transferee Servicing Mortgagee.

Transfer Date (applicable to HECMs only)

The Transfer Date refers to the effective date, as identified in the servicing transfer letters provided to the Borrower, the servicing of any HECM is transferred from one servicing Mortgagee to another.

Transfer of Control (applicable to Condominiums only)

Transfer of Control refers to the shift of existing control over the Condominium Association from the developer/builder to the Unit owners.

Transferee Servicing Mortgagee

The Transferee Servicing Mortgagee refers to the Mortgagee to which the servicing responsibilities have been transferred.

Transferor Servicing Mortgagee

The Transferor Servicing Mortgagee refers to the Mortgagee that transfers servicing responsibilities.

Trial Payment Plan

A Trial Payment Plan (TPP) is a payment plan for a period of three months, four months for a Borrower in Imminent Default, or six months for non-borrowers who acquired title through an exempted transfer, during which the Borrower must make the agreed-upon consecutive monthly payments beginning after the Mortgagee has approved the Borrower for a Permanent Home Retention Option or OWL, and prior to executing the permanent Loss Mitigation documents.

Tri-Merged Credit Report (TRMCR)

A Tri-Merged Credit Report (TRMCR) refers to a credit report that contains the data from all three credit repositories into one report.

Trust Clearing Account

A Trust Clearing Account refers to a fiduciary account containing Borrower funds that will be transferred by the Mortgagee to another account before the end of an accounting period.

Trust Income

Trust Income refers to income that is regularly distributed to a Borrower from a trust.

Two- to Four-Unit Condominium Project

A Two- to Four-Unit Condominium Project refers to a Condominium Project that comprises of at least two, but no more than four, one-family dwelling Units that are each separately owned with separate legal descriptions.

U

Unaudited Regulatory Report

An Unaudited Regulatory Report refers to a report of condition and income, also known as the “call report,” which is submitted on the Federal Financial Institutions Examination Council forms 031 and 041, or a consolidated or fourth quarter NCUA call report, submitted on NCUA Form 5300 or 5310.

Unconditional Direct Endorsement Lender Review and Approval Process (DELRAP)

Authority

Unconditional Direct Endorsement Lender Review and Approval Process (DELRAP) Authority refers to the authority of a Mortgagee to approve Condominium Projects in accordance with HUD requirements and submit the Condominium Projects for listing on FHA’s Approved Condominium Project list without any prior Condominium Project review by FHA.

Under Construction

Under Construction refers to the period from the first placement of permanent material to 100 percent completion with no Certificate of Occupancy (CO) or equivalent.

Underserved Census Tracts

Underserved Census Tracts are those areas identified by HUD as meeting the definition found at 24 CFR § 81.2. Underserved Census Tract areas are: 1) tracts in metropolitan areas a) having a median income of no more than 90 percent of the area as a whole, or b) having a median income of no more than 120 percent and minorities comprise at least 30 percent of the tract’s population; 2) all tracts in any nonmetropolitan area which a) have a median income of no more than 95 percent of the nonmetropolitan part of the state or nation, whichever is greater, or b) have a median income of no more than 120 percent and minorities comprise at least 30 percent of the area’s population.

Uniform Residential Appraisal Report (URAR)

The *Uniform Residential Appraisal Report (URAR)* is the standard appraisal reporting form available through all lenders. Fannie Mae and Freddie Mac *URAR* forms are acceptable.

Uniform Residential Loan Application (URLA)

The *Uniform Residential Loan Application (URLA)* refers to Fannie Mae Form 1003/Freddie Mac Form 65 which is a standard form Borrowers use for mortgage applications.

Unimproved Property Appraisal

Unimproved Property Appraisal refers to the valuation of an interest in land without human made Structures.

Units in Arrears

Units in Arrears refer to each Unit with Condominium Association dues or any special assessments that are more than 60 Days past due.

Unresolved Finding

An Unresolved Finding is a material, adverse written finding, to include fair lending violations of the Fair Housing Act or Equal Credit Opportunity Act, contained in a lawsuit or report produced in connection with an investigation, audit, or review conducted by HUD, another federal, state, or local governmental agency, or by any other regulatory or oversight entity with jurisdiction over the Mortgagee or its officers, partners, directors, principals, managers, supervisors, loan processors, loan underwriters, or loan originators, that has not yet been resolved through final agency or judicial action.

V

Vacation Home

Vacation Home refers to a dwelling used primarily for recreational purposes and enjoyment and that is not a Principal or Secondary Residence.

Viable Repair Plan

A Viable Repair Plan refers to a plan for repairs of a mortgaged Property within the amounts available through insurance proceeds and borrower funds.

W

Walls-In Insurance

Walls-In Insurance refers to insurance that covers the interior of the Unit and Personal Property inside the Unit.

Work Item

Work Item refers to a specific repair or improvement that will be performed.

Work Write-Up

The Work Write-Up refers to the report prepared by a 203(k) Consultant that identifies each Work Item to be performed and the specifications for completion of the repair.

X

Y

Z

FHA Single Family Housing Policy Handbook

ACRONYMS

A

AAFB - Area Approved for Business
ACA - Asset Control Area
ACH - Automated Clearing House
ADP Codes - Automated Data Processing Codes
ADU - Accessory Dwelling Unit
AF - Account in Foreclosure
AHJ - Authority Having Jurisdiction
AHP - Affordable Housing Program
AHPP - Affordable Housing Program Plan
AM - Asset Management
AMC - Appraisal Management Company
AOM – Assignment of Mortgage
APZ - Accident Potential Zone
AQB - Appraiser Qualifications Board
ARM - Adjustable Rate Mortgage
ASC - Appraisal Subcommittee
ATP – Approval to Participate
AUS - Automated Underwriting System
AVM - Automated Valuation Model
AWEA - American Wind Energy Association

B

B2G - Business to Government
BFE - Base Flood Elevation
BIA - Bureau of Indian Affairs
BPO - Broker's Price Opinion
bps - Basis Points

C

CAFMV - Commissioner's Adjusted Fair Market Value
CAIVRS - [Credit Alert Verification Reporting System](#)
CBRS - Coastal Barrier Resources System
CC&R - Covenants, Conditions, and Restrictions
CEO - Chief Executive Officer
CFO - Chief Financial Officer
CFPB - [Consumer Financial Protection Bureau](#)
CFR - Code of Federal Regulations
CHUMS - Computerized Homes Underwriting Management System
CI - Combination Inspector

CIHD - Common Interest Housing Development
CLTV - Combined Loan-to-Value
CMT - Constant Maturity Treasury
CO - Certificate of Occupancy
COO - Chief Operating Officer
COR - Contracting Officer's Representative
CP - Construction to Permanent
CPA - Certified Public Accountant
CPL - Closing Protection Letter
CWCOT - Claims Without Conveyance of Title

D

DAS - Deputy Assistant Secretary
DASP - Distressed Asset Stabilization Program
DBA - Doing Business As
DCHP - Detached Condominium Housing Project
DDR - Delinquency/Default Reason
DDS - Delinquency/Default Status
DE - Direct Endorsement
DEC - Departmental Enforcement Center
DELRAP - Direct Endorsement Lender Review and Approval Process
DHHL - Department of Hawaiian Home Lands
DIL - Deed-in-Lieu
DIRA - Debenture Interest Rate Adjustment
DoD - Department of Defense
DOJ - U.S. Department of Justice
DOM - Days on Market
DTI - Debt-to-Income

E

EAD - Electronic Appraisal Delivery
ECOA - Equal Credit Opportunity Act
eCB - Electronic Case Binder
EDI - Electronic Data Interchange
EEH - Energy Efficient Homes
EEM - Energy Efficient Mortgage
EESA - Emergency Economic Stabilization Act
EFT - Electronic Funds Transfer
EIN - Employer Identification Number
EMT - Emergency Medical Technician
EPA - U.S. Environmental Protection Agency
EPD - Early Payment Default
EPM - Exit Premium Mortgage
ESIGN Act - Electronic Signatures in Global and National Commerce Act

EVARS - Extensions and Variances Automated Requests System

F

FAIR - Fair Access to Insurance Requirements

FAQ - Frequently Asked Questions

FCC - Federal Communications Commission

FCRA - Fair Credit Reporting Act

FDIC - Federal Deposit Insurance Corporation

FEMA - Federal Emergency Management Agency

FHA - Federal Housing Administration

FHA-HAMP - FHA Home Affordable Modification Program

FHAC - [Federal Housing Administration Connection](#)

FHAC-B2G - FHA Connection - Business to Government

FHA Lender ID - FHA Lender Identification Number

FHEO - Office of Fair Housing and Equal Opportunity

FHLB - Federal Home Loan Bank

FHLMC - Federal Home Loan Mortgage Corporation (also known as Freddie Mac)

FICA - Federal Insurance Contributions Act

FIRM - Flood Insurance Rate Map

FMV - Fair Market Value

FNMA - Federal National Mortgage Association (also known as Fannie Mae)

FOC - Financial Operations Center

FSM - Field Service Manager

FTV - First-Time Vacant

G

GAAP - Generally Accepted Accounting Principles

GAAS - Generally Accepted Auditing Standards

GAGAS - Generally Accepted Government Auditing Standards

GBA - Gross Building Area

GEM - Growing Equity Mortgages

GFE - Good Faith Estimate

GLA - Gross Living Area

GNMA - Government National Mortgage Association (also known as Ginnie Mae)

GNND - Good Neighbor Next Door

GPM - Graduated Payment Mortgages

GRM - Gross Rent Multiplier

GSA - General Services Administration

GSE - Government-Sponsored Enterprise

H

H4H - HOPE for Homeowners

HAF - Homeowner Assistance Fund

HAMP - Home Affordable Modification Program
HECM - Home Equity Conversion Mortgage
HELOC - Home Equity Line of Credit
HERMIT - Home Equity Reverse Mortgage Information Technology
HERS - Home Energy Rating System
HFA - Housing Finance Agency
HIP - Housing Insurance Premium
HOA - Homeowners' Association
HOC - Homeownership Center
HOPE - Homeownership and Opportunity for People Everywhere
HRAP - HUD Review and Approval Process
HUD - U.S. Department of Housing and Urban Development
HUDCLIPS - HUD's Client Information and Policy System
HURRA - Housing and Urban Rural Recovery Act
HVAC - Heating, Ventilation and Air Conditioning

I

IBTS - Institute for Building Technology and Safety
ICC - International Code Council
ID - Identification
IEC - International Electrotechnical Commission
IECC - International Energy Conservation Code
IMIP - Initial Mortgage Insurance Premium
INS - Immigration and Naturalization Service
IOG - Instrumentality of Government
IPA - Independent Public Accountant
IRA - Individual Retirement Account
IRC - Internal Revenue Code
IRCA - Immigration Reform and Control Act of 1986
IRS - Internal Revenue Service

J

K

L

LDP - Limited Denial of Participation
LE - Life Expectancy
LEAP - [Lender Electronic Assessment Portal](#)
LEP - Limited English Proficiency
LES - Leave and Earnings Statement
LESA - Life Expectancy Set-Aside
LF - Linear Foot
LI - Lender Insurance

LIBOR - London Interbank Offered Rate
LIC - Loan Insurance Certificate
LLC - Limited Liability Company
LOMA - Letter of Map Amendment
LOMR - Letter of Map Revision
LPPPA - Lead-Based Paint Poisoning Prevention Act
LRS - Loan Review System
LTV - Loan-to-Value
LURA - Land Use Restriction Addendum

M

M&M - Management and Marketing
MAP - Multifamily Accelerated Processing
MCA - Maximum Claim Amount
MCI - Minimum Cash Investment
MCM - Mortgagee Compliance Manager
MDCS - Minimum Decision Credit Score
MERS - Mortgage Electronic Registration System
MHCP - Manufactured Home Condominium Project
MHCSS - Manufactured Home Construction and Safety Standards
MHV - Manufactured Housing Valuation
MIC - Mortgage Insurance Certificate
MIP - Mortgage Insurance Premium
MISMO - Mortgage Industry Standards Maintenance Organization
ML - Mortgagee Letter
MLS - Multiple Listing Service
MMIF - Mutual Mortgage Insurance Fund
MOE - Mortgagee Optional Election
MoPR - Monthly Principal Reduction
MPR - Minimum Property Requirements
MPS - Minimum Property Standards
MRB - Mortgagee Review Board
MRI - Minimum Required Investment
MRIS - Minimum Residual Income Shortfall
MSA - Metropolitan Statistical Area

N

NADA - National Automobile Dealers Association
NAID - Name and Address Identification
NAR - National Association of Realtors
NAS - National Appraisal System
NBS - Non-Borrowing Spouse
NCUA - National Credit Union Administration
NDC - Net Development Cost

NFIP - National Flood Insurance Program
NHOP - Nehemiah Housing Opportunity Grants Program
NMLS - Nationwide Mortgage Licensing System and Registry
NOD - Notice of Deficiency
NOPA - Notice to Occupant of Pending Acquisition
NOR - Notice of Return
NOV - Notice of Violation
NPDMS - Nonprofit Data Management System
NPIOG - Nonprofit Instrumentality of Government
NPL - Net Principal Limit
NPMA - National Pest Management Association
NRTL - Nationally Recognized Testing Laboratory
NSC - National Servicing Center
NSF - Insufficient Funds
NSP - Neighborhood Stabilization Program
NTMCR - Non-Traditional Mortgage Credit Report

O

OFA - Office of Finance and Accounting
OGC - Office of General Counsel
OIG - Office of Inspector General
OSFAM - Office of Single Family Asset Management
OUI - Oldest Unpaid Installment
OWL – Outside of the Waterfall Loan Modification

P

P&I - Principal and Interest
P&L - Profit and Loss
P&P - Preservation and Protection
PACE - Property Assessed Clean Energy
PACER - Public Access to Court Electronic Records
PCR - Property Condition Report
PCS - Permanent Change of Station
PDF - Portable Document Format
PDMDA - Presidentially-Declared Major Disaster Area
PETR - Post-Endorsement Technical Review
PFGMH - Permanent Foundations Guide for Manufactured Housing
PFI - Private Flood Insurance
PFS - Pre-Foreclosure Sale
PHA - Public Housing Agency
PIN - Personal Identification Number
PITI - Principal, Interest, Taxes, and Insurance
PMMS - Primary Mortgage Market Survey
POA - Power of Attorney

POC - Paid Outside Closing
PPA - Power Purchase Agreement
PSA - Participating Servicer Agreement
PTI - Total Mortgage Payment to Effective Income Ratio
PUD - Planned Unit Development

Q

QAD - Quality Assurance Division
QC - Quality Control
QM - Qualified Mortgage
QOZ - Qualified Opportunity Zone
QR - Quick Response

R

RCI - Residential Combination Inspector
REO - Real Estate Owned
RESPA - Real Estate Settlement Procedures Act
RLARM - Residential Loan Application for Reverse Mortgages
RMCR - Residential Mortgage Credit Report
RPZ - Reduced Pressure Zone

S

SAB - Subsidy Accounting Branch
SAFE Act - Secure and Fair Enforcement for Mortgage Licensing Act of 2008
SAM - [System for Award Management](#)
SAMS - Single Family Acquired Asset Management System
SBA - Small Business Administration
SCA - Sales Comparison Approach
SCIF - Supplemental Consumer Information Form
SCRA - Servicemembers Civil Relief Act
SF - Single Family
SFB - Special Forbearance
SFDMS - Single Family Default Monitoring System
SFHA - Special Flood Hazard Area
SFIS - Single Family Insurance System
SFLS - Single Family Loan Sale
SIP - SMART Integrated Portal
SMART - Single Family Mortgage Asset Recovery Technology
SNAP - Supplemental Nutrition Assistance Program
SOFR - Standard Overnight Financing Rate
SPPA - Solar Power Purchase Agreement
SSA - Social Security Administration
SSI - Supplemental Security Income

SSN - Social Security Number
SWCC - Small Wind Certification Council

T

TALC - Total Annual Loan Cost
TDD - Telecommunication Device for the Deaf
TI - Title I Letter
TILA - Truth in Lending Act
TIN - Taxpayer Identification Number
TOTAL - Technology Open To Approved Lenders
TPO - Third-Party Originator
TPP - Trial Payment Plan
TPV - Third Party Verification
TRMCR - Tri-Merged Credit Report
TRS - Tier Ranking System
TS - Transaction Set
TTY - Text Telephone

U

UEI – Unique Entity Identifier
UETA - Uniform Electronic Transactions Act
UFIP - Upfront Insurance Premium
UFMIP - Upfront Mortgage Insurance Premium
URAR - Uniform Residential Appraisal Report
URL - Uniform Resource Locator
URLA - Uniform Residential Loan Application
U.S.C. - United States Code
USCIS - U.S. Citizenship and Immigration Services
USDA - United States Department of Agriculture
USGS - U.S. Geological Survey
USPAP - [Uniform Standards of Professional Appraisal Practice](#)

V

VA - Department of Veterans Affairs
VOD - Verification of Deposit
VOE - Verification of Employment
VoIP - Voice over Internet Protocol
VPR – Vacant Property Registration

W

X

Y

Z