

## GLOSSARY

---

See more details about financing terminology on page 66.

See more definitions about manufactured home materials and systems in section 10, *Understanding Manufactured Home Evaluations*, on page 105.

**ADJUSTABLE-RATE LOAN:** A loan that adjusts on a regular schedule based on a national economic index and the lender's margin. Also called "variable-rate loan."

**AMORTIZATION:** The process of paying off a loan with regular payments over a fixed time period.

**ANCHOR:** A device used to secure a manufactured home to the ground.

**ANNUAL PERCENTAGE RATE (APR):** The cost of borrowing money expressed as a yearly rate, which includes the interest, points and other fees charged by the lender.

**APPRAISAL:** A professional opinion of the market value of a property.

**APPRECIATION:** An increase in the value of a house due to changes in market conditions, home improvement or other factors.

**ARBITRATION:** A process where disputes are settled by referring them to an impartial third party (arbitrator) chosen by the disputing parties who agree in advance to abide by the decision of the arbitrator. There is a hearing where both parties have an opportunity to be heard, after which the arbitrator issues the decision.

**ASSESSED VALUE:** The value placed on a house by a public tax assessor for the purpose of determining property taxes.

**AUTOMATED UNDERWRITING:** A computer-based method mortgage lenders use to process and approve or deny loan applications more quickly, using credit scores and other loan application data.

**BALLOON-PAYMENT LOAN:** A loan with fixed monthly payments based on a 30-year schedule of payments on which the entire balance of the loan comes due at the end of a set period, usually five, seven or 10 years.

**BANK:** A depository institution chartered under federal and state regulations that offers services such as checking accounts, savings accounts, consumer loans, safe-deposit boxes, investment services and automatic payment of bills.

**BORROWER:** The person who obtains a mortgage loan. Also called a "mortgagor."

## Understanding Your Options: Manufactured Housing

**BUDGET:** A financial plan for spending and saving money. Also called “spending plan.”

**BUILDING PERMIT:** A written permit that must be obtained from the local government by anyone doing new construction, remodeling or rehabilitation work on a property.

**BUYER’S AGENT:** A real estate professional who enters into a contract-of-agency relationship with the buyer and typically gets paid by splitting the sales commission with the listing (seller’s) agent.

**CAPACITY:** An applicant’s ability to earn enough income to make mortgage loan payments and still pay all other living expenses. One of the “4 Cs of credit.”

**CAPITAL:** The funds a potential homebuyer has available for the up-front costs of home ownership, such as the down payment and closing costs. One of the “4 Cs of credit.”

**CHASSIS:** The structural frame of a manufactured home that supports the complete unit of walls, floor and roof.

**CHATTEL LOAN:** A loan secured against personal property, which is common in the financing of manufactured homes. Also called “personal property loan.”

**CLOSING:** The final steps in the transfer of property ownership, which usually occurs at a formal meeting between the buyer, seller, settlement agent and possibly, real estate agents, where the buyer signs the mortgage and mortgage note, the seller receives payment for the property, the buyer or seller or both pay closing costs, and the title is transferred from the seller to the buyer. Also called “settlement.”

**CLOSING COSTS:** Expenses over and above the purchase price of the property by buyers and sellers incur in transferring ownership of a property. Also called “settlement costs.”

**COLLATERAL:** Property accepted as security for a loan; the one of the “4 Cs of credit” that measures the value and condition of the house to make sure it is worth at least as much as is being borrowed.

**COMMISSION:** The fee a real estate agent or retailer is paid for helping sell a house; it is usually a percentage of the purchase price.

**COMMITMENT LETTER:** A formal offer by a lender stating the terms under which it agrees to loan money to a homebuyer.

**CONTRACTOR:** An individual hired to build, remodel or rehabilitate a property.

**CONVENTIONAL MORTGAGE:** A loan made by for-profit lenders that is not insured by the federal government.

**COOPERATIVE:** A manufactured home community where the residents have formed a nonprofit corporation that owns the land. The residents of the cooperative own shares in the corporation and own their homes individually.

**COVENANT:** A specific agreement or regulation, which is legally enforceable and is transferred with the deed to the new owner, governing the use of a property. Also called covenants, conditions and restrictions (CC&Rs), deed restrictions or restrictive covenants.

**CRAWL SPACE:** Space between the ground and the first floor of the home, which allows for access to wiring, plumbing and other systems.

**CREDIT:** The granting of money in exchange for a promise of future repayment.

**CREDIT HISTORY:** One of the “4 Cs of credit” that measures an applicant’s likeliness to repay a home loan based on how previous debts have been handled as shown in a consumer’s credit report.

**CREDIT REPORT:** A record kept by the credit reporting agencies of how a consumer has repaid credit in the past, used as a guide to determine a potential homebuyer’s creditworthiness.

**CREDIT REPORTING AGENCY:** A company that gathers, files and sells information to creditors and others with a legitimate business purpose. Also called “credit bureau.”

**CREDIT SCORE:** A numerical value based on the analysis of a credit report that is used by creditors to predict how likely an individual is to repay a new loan.

**CREDIT UNION:** A financial institution that is a cooperative and offers savings and checking accounts and other financial services for its members.

**DEBT:** Money owed. Also called “liability.”

**DEBT-TO-INCOME RATIO:** The maximum percentage of a borrower’s gross monthly income that can be spent on a house payment and all other debts. Also called “back-end ratio.”

**DEDUCTIBLE:** The amount of cash payment required by an insurance policy that is made by the homeowner to cover a portion of a damage or loss. Typically the higher the deductible, the lower the cost of the policy. Also called “out-of-pocket expenses.”

**DEPOSIT:** The amount of money a buyer provides to a retailer to place a hold on a manufactured home.

**DEPRECIATION:** A decrease in the value of property due to changes in market conditions, wear and tear on the property, or other factors.

## Understanding Your Options: Manufactured Housing

**DISCOUNT POINTS:** Points a borrower pays in advance to lower the interest rate. Also called “buy-downs.”

**DOWN PAYMENT:** The amount of cash a borrower pays toward purchasing a home.

**DUAL AGENT:** A real estate professional who represents both the buyer and the seller in a single home purchase transaction.

**EQUITY:** Ownership interest in an asset after liabilities are deducted, or the portion of the house’s value the borrower owns outright.

**ESCROW ACCOUNT:** A special account set up by the lender to collect and hold monthly payments toward annual property taxes and homeowners insurance. Also called “impound account.”

**FAIR MARKET VALUE:** The price a willing buyer will pay and a willing seller will accept for real property.

**FHA LOAN:** A type of mortgage that is insured by the Federal Housing Administration, a department of the federal government.

**FIXED-RATE LOAN:** A loan on which the interest rate remains the same over the life of the loan.

**FLOOD INSURANCE:** A policy required by a lender if a buyer’s house is located in a flood zone.

**FOOTER:** The part of the foundation system that actually transmits the weight of the building to the ground.

**FORECLOSURE:** The legal process used to force the payment of debt secured by collateral whereby the property is sold to satisfy the debt.

**FOUNDATION:** All of the components of the support and anchoring system that secures a manufactured home to the ground.

**GOOD FAITH ESTIMATE:** A document that discloses anticipated settlement costs.

**GRADUATED PAYMENT LOAN:** A loan that starts out with lower monthly payments, which rise gradually over a period of years and then stay fixed for the rest of the loan. Also called a “step-rate loan.”

**GROSS INCOME:** Money earned before taxes and other deductions.

**HOME EQUITY LOAN:** A loan based on the difference between the amount of debt remaining on a home and the home’s current market value.

## Understanding Your Options: Manufactured Housing

**HOMEOWNERS INSURANCE:** An insurance policy on a house and its contents that combines liability coverage and hazard insurance.

**HOUSING INSPECTION:** A professional opinion of the structural soundness of a property.

**HOUSING RATIO:** The maximum percentage of a borrower's gross monthly income that can be used to make the monthly mortgage payments. Also called "front-end ratio."

**HUD (U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT):** The federal agency that oversees the FHA loan program, the Federal Manufactured Housing Program, and other housing and community development programs.

**HUD CODE:** The federal standards that have regulated manufactured housing design and construction, strength and durability, transportability, fire resistance, and energy efficiency and set performance standards for its heating, plumbing, air conditioning, thermal and electrical systems since June 15, 1976. Also called "Federal Manufactured Housing Construction and Safety Standards."

**HUD-1 SETTLEMENT STATEMENT:** A final statement listing all of the costs of the sale of a property and who pays for them.

**HUD TAG:** A red 2" x 4" metal tag that is normally affixed to the rear of each transportable section of a manufactured home that certifies conformance to the HUD Code and provides the HUD identification number of the home.

**INDEX:** A published market index rate tied to an economic indicator that is used to calculate the interest rate of an adjustable-rate mortgage at origination and at each adjustment period.

**INSTALLATION:** The process of placing a manufactured home upon its foundation; removing the axles, tires and hitches; and closing it to the weather. Some installations may also include connecting utility crossovers and finishing wall joints along the marriage line inside the home.

**INTEREST:** The cost of borrowing money.

**INTEREST FACTOR:** The cost for borrowing \$1,000 of a mortgage loan based on interest rate and term.

**INTEREST RATE:** The percentage of the loan amount charged for a loan.

**INTEREST RATE LOCK-IN:** A written guarantee that a buyer will receive a specified interest rate from a lender, provided that the loan closes within a set period of time.

**LAND-HOME PACKAGE:** A type of real estate financing that combines the cost of a new manufactured home on a permanent foundation with a plot of land at the time of purchase.

## Understanding Your Options: Manufactured Housing

**LAND-LEASE AGREEMENT:** A written agreement between a rental community's management company and resident that establishes the terms, conditions and other provisions for placing a manufactured home on the premises of a rental community.

**LEASEHOLD MORTGAGE:** A type of real estate financing for a manufactured home that is placed in a rental community on a permanent foundation under a long-term recorded lease.

**LENDER:** The entity or person who offers the mortgage loan. Also called a "mortgagee."

**LIABILITY PROTECTION:** Insurance that covers people (other than the insured homeowner) and their personal property in case of injury or damage while on the homeowner's property.

**LIEN:** A legal hold or claim of one person on the property of another as security for a debt, or a charge that may be listed on a credit report as a public record.

**LISTING AGENT:** A real estate professional who has a contract with the seller of a house to advertise the property for sale and represent the seller when offers are made. Also called "seller's agent."

**LOAN FEES:** Costs associated with loan processing.

**LOAN TERM:** The amount of time a borrower has to pay off a loan.

**LOAN-TO-VALUE (LTV):** The ratio of the loan balance to the appraised value of the house.

**LOT:** Per a land-lease agreement, space in a rental community allocated for placement of the resident's manufactured home and the area adjacent to that space designated for the resident's exclusive use.

**MANUFACTURED HOME:** A factory-built home that meets the federal Manufactured Home Construction and Safety Standards, also known as the HUD Code, which is administered by HUD and went into effect June 15, 1976. The home has a structural frame, or chassis, that supports the complete unit of walls, floor and roof.

**MANUFACTURER:** A company that builds manufactured homes in a factory.

**MARGIN:** The set percentage the lender adds to the index rate to determine the interest rate of an adjustable-rate mortgage.

**MOBILE HOME:** A factory-built home built prior to June 15, 1976, when the HUD Code went into effect.

**MODULAR HOME:** Factory-built housing that meets the state, local or regional codes where the home will be located. Modules are transported to the site and installed.

**MORTGAGE:** A security agreement between the lender and the buyer in which the property is collateral for the loan. The mortgage gives the lender the right to collect payment on the loan and to foreclose if the loan obligations are not met.

**MORTGAGE BROKER:** A company or individual that matches borrowers with lenders for a fee.

**MORTGAGE COMPANY:** A type of financial institution that offers only mortgage financing.

**MORTGAGE INSURANCE (MI):** A policy required by the lender if a borrower puts less than 20 percent cash down when buying a home with a conventional or FHA loan, which protects the lender from collateral risk in case of default. Also called “private mortgage insurance (PMI)” for conventional loans and “mortgage insurance premium (MIP)” for FHA loans.

**MORTGAGE LIFE INSURANCE:** An optional form of life insurance that pays off a mortgage if the borrower dies.

**MULTIPLE LISTING SERVICE (MLS):** A service within a given community or area that allows real estate professionals to submit listings and agree to attempt to sell all properties in the service.

**MULTISECTION HOME:** A manufactured home that is built as separate units and joined together at the site. Multisection homes generally range in size from 1,500 to 2,500 square feet.

**ORIGINATION FEE:** A fee some lenders charge for submitting, processing and evaluating a proposed mortgage loan.

**PERIMETER ENCLOSURE:** Weather-resistant framing and sheeting used to enclose the crawl space of a manufactured home.

**PIER:** A short column of masonry, steel or treated lumber that provides support between the footing and the main beam of a manufactured home.

**POINT:** A fee that is one percent of the loan amount.

**PRE-APPROVAL:** A guarantee that a lender will loan a potential buyer a fixed amount as long as the borrower buys a home by a certain time and the house appraises for the amount of money for which the borrower qualifies.

**PREDATORY LENDING:** A type of lending that falls between appropriate risk-based pricing and blatant fraud, and combines certain products, terms, prices and practices. **PREPAYMENT:** Paying more each month than the amount of the mortgage loan payment to pay the loan off sooner and save money on interest charges.

## Understanding Your Options: Manufactured Housing

**PREQUALIFICATION:** The process lenders use to calculate a potential buyer's affordability for a loan, usually based on unverified information.

**PRIME LENDING:** Lending to borrowers with highly rated credit histories. Prime loans are often called "A" credit.

**PRINCIPAL:** The outstanding balance of a loan, not including interest and other charges.

**PURCHASE AND SALES AGREEMENT:** A written contract signed by the buyer and the seller stating the terms and conditions under which a property will be sold.

**RATE CAP:** The maximum amount an interest rate can increase or decrease in a designated period of time (interest rate cap) or over the life of the loan (lifetime cap) on an adjustable-rate loan.

**REAL ESTATE AGENT:** A real estate professional who works for a real estate broker. Agents may be able to represent both buyers and sellers, but some specialize.

**REAL ESTATE BROKER:** A real estate professional who is authorized to operate an agency.

**REAL PROPERTY:** Property consisting of land and whatever is attached or affixed to it. Also called "real estate."

**REALTIST:** A real estate agent who is a member of the National Association of Real Estate Brokers, which maintains standards of conduct and aims to economically improve local minority communities.

**REALTOR®:** A real estate agent or agency that belongs to the local or state board of REALTORS® and has an affiliation with the National Association of REALTORS®.

**REFINANCING:** The process of paying off one loan with the proceeds from a new loan secured by the same property.

**RENTAL COMMUNITY:** A community specifically planned for manufactured homes where residents own the homes and lease the land. Also called "manufactured home park" or "land-lease community."

**REPOSSESSION:** Property that is taken back by the creditor when the borrower does not make payments due on the property.

**RETAILER:** A businessperson licensed to sell new and existing manufactured homes.

**RISK-BASED PRICING:** A system that assesses borrowing risks loan by loan to determine interest rates and fees for mortgage loans.

## Understanding Your Options: Manufactured Housing

**RURAL HOUSING SERVICE LOAN:** A type of mortgage offered by the USDA Rural Development, Rural Housing Services, in rural areas directly through local USDA Rural Development offices and through approved lenders.

**SECURITY DEPOSIT:** Money other than a rental application deposit or an advance payment of rent, intended primarily to ensure that the resident of a rental community adheres to the terms of the land-lease agreement.

**SINGLE-SECTION HOME:** A manufactured home that is a self-contained unit. Single-section homes generally range in size from 900 to 1,300 square feet.

**SITE:** A land parcel that has been prepared for installation of a manufactured home.

**SITE-BUILT HOME:** A home that is constructed on its lot and meets local building codes that are enforced by local government. Also called “stick-built home.”

**SITE PREPARATION:** Preparation of a site before installation of a manufactured home, which may include leveling the site, grading and sloping the soil away from the home, compacting fill soil, clearing the area, installing a driveway, constructing a foundation, and installing a well and septic tank (if needed).

**STATE ADMINISTRATIVE AGENCY (SAA):** A state agency (in most states) that enforces state and federal laws related to manufactured homes, may conduct on-site inspections of home installation, and assists manufactured home owners in resolving problems with manufacturers or retailers.

**STEP-RATE LOAN:** Same as a Graduated Payment Loan.

**SUBDIVISION:** A planned community where manufactured homes are sited and installed by the developer, and then sold to homebuyers. Normally, each resident owns a home and its plot of land and any common areas that are shared with other residents, is a member of a homeowners association, and pays a monthly or annual fee to take care of the common areas. Also called “planned unit developments.”

**SUBPRIME LENDING:** A type of lending that relies on risk-based pricing to serve borrowers who cannot obtain credit in the prime market, where higher degrees of risk for borrowers carry higher costs for loans. Subprime loans are often called “A- through D” credits.

**SURVEY:** A professional measurement of a property and the land around it.

**TENANT:** A person who is authorized by a land-lease agreement to occupy a lot to the exclusion of others in a rental community and obligated under the lease agreement to pay rent, fees and other charges.

**TITLE:** A legal document establishing the right of ownership in a property.

## Understanding Your Options: Manufactured Housing

**TITLE REPORT:** A legal description of a piece of property, including its history of ownership. Also called “abstract.”

**TITLE INSURANCE:** Insurance to protect the lender (lender’s policy) or the buyer (owner’s policy) against loss arising from disputes over ownership of a property.

**TRUTH-IN-LENDING STATEMENT:** A document that discloses the terms and cost of a mortgage loan, including the APR.

**UNDERWRITING:** The process of analyzing a borrower’s finances in order to approve or deny a loan.

**VA LOAN:** A type of mortgage that is guaranteed by the U.S. Department of Veterans Affairs and is available only for veterans of the U.S. armed forces.

**WARRANTY:** A written guarantee for a given period of time of the quality of a product and the promise to repair or replace defective parts free of charge.

**ZONING:** A county or city law stating the types of use to which properties in specific areas can be put.