

GLOSSARY OF TERMS

We offer this glossary as a living document, one that will never be complete, and welcome input to the definitions. We also offer this glossary as an accommodation tool to help with language-related access needs and for shared understandings of these terms. We anticipate that our collective vocabulary will expand, change, and be bolstered during our collaborative time together.

Note: Any acronyms used throughout this Glossary will be defined alphabetically by the phrase or word's spelling (as opposed to alphabetically by the acronym).

Adjustable Rate Mortgage (ARM)

With an adjustable rate mortgage, interest rates may go up or down over the life of your loan. Often ARMs will start at a lower interest rate and may stay the same for months, the first year, or even many years. When this introductory period is over, your interest rate will change and the amount of your payment is likely to go up. ARM can be set up many different ways, so it's important to understand how your rates will impact your monthly payment, how often they can change, and if there is a cap on how high your rate can go up.

Affordable Housing

This term is often used broadly, and often without clear definition. Under HUD rules, income-eligible households should pay no more than 30% of their gross household income for housing costs, including utilities. Some HUD Programs provide subsidies to the household or the housing development to meet the 30% rule. The 30% rule is also a benchmark for national affordability, regardless of income level. The Housing and Transportation Index (H+T Index), which provides a broader view of affordability that includes both the cost of housing and transportation combined, sets the benchmark at no more than 45% of household income.

Affordable Housing Development

An affordable housing development is housing that is specifically set aside to be below market rate so lower-income community members can afford housing without being rent burdened. Some affordable housing developments may have maximum income caps, and/or collaborate with local service providers to house those who do not currently have housing.

Annual Percentage Rate (APR)

This is a broader measure of the cost of borrowing money than the interest rate (see below for interest rate definition). It reflects the interest rate, any points (or discounts), mortgage broker fees, and other charges that you pay to get the loan. For that reason, your APR is usually higher than your interest rate. In short, APR reflects the mortgage interest rate plus other charges.

Area Median Income (AMI)

The midpoint of a county or state's income distribution by household size, published annually by HUD. (see also the definitions for HUD Income Categories, Median, and Mixed Income Housing for more information)

BIPOC

Black, Indigenous, People of Color, a term commonly used to refer to individuals who are not of European descent. (see also POC)

Blighted

An area designated as blighted, having substantial deteriorated or deteriorating structures, defective or inadequate street layout, lots that are inadequate or inaccessible, or any other site conditions that are unsanitary or unsafe.

City Code

A body of law written and adopted by a local government that defines local authority and governs certain processes in the jurisdiction.

Closing Costs

Fees or charges paid when closing on a mortgage. Depending on the contract and state laws, the seller may end up paying some of the costs. Even if you don't end up paying directly "out of pocket" at time of closing, you may end up paying these fees indirectly. Sometimes you can negotiate for a seller "credit" to cover your closing costs. Common closing costs may include: appraisal fee, tax service, title insurance, government taxes or filing fees, and prepaid expenses (such as insurance or taxes.)

Closing Disclosure (CD)

A Closing Disclosure is a five-page form that provides final details about the mortgage loan you have selected. It includes the loan terms, your projected monthly payments, and how much you will pay in fees and other costs to get your mortgage (closing costs). Lenders are required to provide your Closing Disclosure three business days before your scheduled closing.

Community Advisory Committee (CAC)

A Community Advisory Committee is a practice in participatory grantmaking to incorporate the expertise and voices of community members to intentionally include their voices and lived experience in grantmaking decisions.

Community Development Financial Institution (CDFI)

CDFIs strive to foster economic opportunity and revitalize neighborhoods, and can be banks, credit unions, loan funds, microloan funds, or venture capital providers. They are a collaborative force that brings together diverse private and public sector investors to create economic opportunity in low-income communities. CDFIs serve as the catalyst to help individuals finance their first homes, and support community residents starting businesses, and investing in local health centers, schools, or community centers.

Cost-Burdened

Those who pay more than 30 percent of their income for housing and may have difficulty affording necessities such as food, clothing, transportation, and medical care. Severe rent burden is defined as paying more than 50 percent of one's income on rent.

Conventional Loan

"Conventional" just means that the loan is not part of a specific government program. Conventional loans typically cost less than [FHA loans](#) but can be more difficult to get.

Debt to Income Ratio (DTI)

Your debt-to-income ratio (DTI) is all your monthly debt payments divided by your gross monthly income. This number is one way lenders measure your ability to manage the monthly payments to repay the money you plan to borrow. Different lenders and loan products will have DTI limits, it's important to understand your own comfort level with your payments.

Default

A mortgage is considered to be in default when you are delinquent for a certain period of time. At this point, your lender will declare the loan to be in default. The entire loan balance will become due at that time and foreclosure proceedings may begin.

Delinquency

A loan becomes delinquent when you fail to make a payment on a specified, agreed upon date. Mortgage delinquency is typically between 30-89 days. During this early stage, lenders must follow specific steps (as defined in your closing documents) to attempt to remedy the delinquency. After 90 days without a payment the loan will be considered "seriously delinquent" and depending on your loan and state laws, foreclosure proceedings may begin.

Down Payment Assistance (DPA)

Down Payment Assistance (DPA) programs exist to assist qualifying* borrowers cover the down payment and/or closing costs for the purchase of a home. Different DPA programs may be set up in different ways, often as a repayable 2nd loan or a forgivable grant. (*DPA programs often have very specific income, loan, and other criteria to qualify for financial assistance.)

Escrow

As a part of a mortgage loan, you will have to pay home insurance and property taxes. Often your loan payment can be set up with an escrow payment (taking a portion of your monthly payment to cover home insurance and taxes) to sit in an escrow account until due annually or bi-annually. The third party will make this payment for you. Lenders are required to complete an escrow analysis annually to calculate surplus or deficit.

Fixed Rate Loan

For a fixed rate mortgage, the interest rate is set when you take out the loan and will not change.

Home Equity Loan

A loan taken out for the purpose of home repair or home improvement, used often as an alternative to HELOC [traditionally known as a home equity line of credit]. Other uses for a Home Equity Loan can include debt consolidation.

Home Owners' Loan Corporations (HOLC)

The Home Owners' Loan Corporation (HOLC) was a government-sponsored corporation created as part of the New Deal established in 1933. HOLC created "Residential Security" maps of major American cities. These maps document how loan officers, appraisers and real estate professionals evaluated mortgage lending risk during the era immediately before the surge of suburbanization in the 1950's. Neighborhoods considered high risk or "Hazardous" were often "redlined" by lending institutions, denying them access to capital investment which could improve the housing and economic opportunity of residents.

Homestead Exemption

This provides qualified homeowners with a measure of property tax relief. Qualified homeowners can get up to 100% relief in their property taxes. Eligibility includes seniors (above 65 years), and disabled individuals, with restrictions related to their home and income. Veterans with 100% service-related disabilities or their widows or widowers qualify for full exemption regardless of their income/ home value.

Housing Stock

The number of existing housing units based on data compiled by the U.S. Census Bureau and referable to the same point or period in time. Housing stock is the total number of residential dwelling units in a market, both renter- and owner-occupied, at all price ranges. .

HUD (see definition for U.S. Department of Housing and Urban Development)

HUD Income Categories

Low Income: less than 60% of AMI

Moderate Income: 60% to 80% of AMI

Medium Income: 80% to 120% of AMI (often called workforce)

Middle Income: 120% to 250% of AMI

High Income: 250% of AMI or more

Loan Estimate (LE)

A Loan Estimate is a three-page form that you receive after applying for a mortgage. The Loan Estimate tells you important details about the loan you have requested. [The lender must provide you a LE within three business days of receiving your loan application.](#) When you receive a LE, the lender has not yet approved or denied your loan application. The LE shows you what loan terms the lender expects to offer if you [decide to move forward](#). If you decide to move forward, the lender will ask you for additional financial information.

Loan to Value Ratio (LTV)

The loan-to-value (LTV) ratio is a measure comparing the amount of your mortgage with the appraised value of the property. The higher your down payment, the lower your LTV ratio. Mortgage lenders may use the LTV in deciding whether to lend to you and to determine if they will require private mortgage insurance. If you have to get private mortgage insurance, it will increase your monthly costs. Be sure to compare the amounts, terms and costs of several loans, including the cost of mortgage insurance if it will be required.

Low Income (see HUD Income Categories)

Market Rate

In the context of affordable housing, this refers to an unregulated rent that a property owner (landlord) sets or purchase price that a seller sets at whatever the market will bear. In the context of interest rates, market rate is what the mortgage rate a borrower would receive in the absence of government subsidies or other programs to lower the rate.

Market Value

The sales price of a building including land cost and real estate fees.

Metropolitan Statistical Areas (MSAs)

Regions that the government uses for various data-collection and budget- allocation purposes. It is the area over which HUD calculates MFI, and usually corresponds to the territory covered by a housing authority. Each MSA represents an urban core and the economically integrated surrounding area.

Middle Income (see HUD Income Categories)

Missing Middle Housing

Missing Middle Housing is a range of multi-unit or clustered housing types—compatible in scale with detached single-family homes—that help meet the growing demand for walkable urban living.

Mixed Income Housing

Mixed-income housing can help to deconcentrate poverty and/or provide access to neighborhoods of opportunity for low- and moderate-income residents. This type of housing creates economic diversity and expands the availability of quality affordable housing throughout an area. Often federal, state, or local programs will define mixed income as a property in which at least 20% of the units are affordable to households making 50% AMI or less, or at least 40% of the units are affordable to households making 60% AMI or less; and at least 20% of the units are unaffordable to households making 80% AMI or less. Mixed-income housing is an important way to further residential economic diversity and federal, state, and local programs may vary depending on the market.

Multi-Family Building

A building with three or more attached units intended for living, sleeping, eating, cooking and sanitation.

Not In My Back Yard (NIMBY)

A person or neighborhood group that opposes low-income homes built near their own homes.

Payment-to-Income Ratio (PTI)

Your payment-to-income ratio can be a great way to understand your affordability for a mortgage loan. This ratio takes your estimated monthly mortgage payment (including principle, interest, taxes, and insurance) divided by your gross monthly income. (Sometimes referred to as “front-end ratio”.)

POC

People of Color, a term commonly used to refer to individuals who are not of European descent. (See also BIPOC)

Preservation (of housing)

An effort to keep the existing housing stock in a certain area. This may involve incentive programs to salvage lower quality (but still viable) housing stock.

Qualified Census Tracts (QCT)

Designated by Housing and Urban Development (HUD), or equivalent geographic area defined by the Census Bureau, where at least 50% of households have incomes below 60%.

Redlining

Beginning in 1936, the neighborhoods of Omaha’s Near North and South sides were systematically segregated from the rest of the city by means of prohibitive and discriminatory home lending practices. In Omaha, and cities across the country, red lines were literally drawn on city maps by the federally-funded

Home Owners' Loan Corporation, identifying predominantly African-American and immigrant communities as "hazardous" and unfit for investment.

Subprime Lending

Subprime lending is the practice of lending to borrowers with low credit ratings. There are many different product options used to extend loans to "higher risk" borrowers (meaning less-than-perfect credit, lower income borrowers, borrowers with higher DTI, and lower down payments): 1. Interest Only Loans, 2. Dignity Mortgages, 3. Negative Amortization Loans, 4. Balloon Loans, 5. ARMs. It is important to understand the terms and conditions of your loan product.

Subprime Mortgage

A subprime mortgage carries an interest rate higher than the rates of prime mortgages. A subprime mortgage is generally a loan that is meant to be offered to prospective borrowers with impaired credit records. The higher interest rate is intended to compensate the lender for accepting the greater risk in lending to such borrowers.

Tax Lien Certificate (TLC)

A tax lien certificate is created when a property owner has failed to pay their taxes and the local government issues a tax lien. The certificate shows the taxes that are owed along with any interest and penalties. Tax lien certificates are typically auctioned off to investors looking to profit.

Tax Lien Foreclosure (TLF)

Tax lien foreclosure is a policy that has recently become quite popular across local governments as it provides the ability to turn burdensome tax delinquencies into an asset by selling the delinquent tax certificate to investors at an interest rate. Tax Lien Foreclosure policies differ greatly across municipalities, generally giving the property owner a certain amount of time to pay back the delinquent property taxes *with interest* or it will be sold to an investor who must make the payment. Once an investor makes the payment (based on timing and local policy) foreclosure proceedings will take place and the investor will take ownership of the property.

Underserved Populations

Examples include:

- Persons living below the poverty line
- Excluded and/or marginalized populations and/or communities
- Persons with disabilities
- Migrants and/or displaced persons
- Undereducated
- Underserved, owing to a lack of quality access to essential goods and services
- Women and/or sexual and gender minorities, including LGBTQIA+
- Aging populations and/or vulnerable youth
- Other vulnerable groups, including refugees because of natural disasters

U.S. Department of Housing and Urban Development (HUD)

A U.S. government agency created in 1965 as part of then-President Lyndon Johnson's Great Society agenda to expand America's welfare state. Its primary mission is improving affordable homeownership opportunities to support the housing market and homeownership. HUD's programs are geared toward increasing safe and affordable rental options, reducing chronic homelessness, fighting housing discrimination by ensuring equal opportunity in the rental and purchase markets, and supporting vulnerable populations.

Yes, In My Backyard (YIMBY)

A neighborhood group, or person, who supports equal access to housing, including low-income housing built near their homes.

Final Notes: Our full and complete Glossary can be located on our website. We value learning and prioritize opportunities to continue our learning path. We will update this Glossary as we expand our awareness and seek to be as inclusive as possible. On that note, what did we miss? Let us know what terms, words, or concepts we need to add to our Glossary. Contact Comms@OmahaFoundation.org for amendments to this Glossary.