GLOSSARY OF HOUSING TERMS

Absorption Period
The period of time necessary for a newly constructed or renovated property to achieve the stabilized level of occupancy. The absorption period begins when the first certificate of occupancy is issued and ends when the last unit to reach the stabilized level of occupancy has signed lease.

Absorption Rate
The average number of units rented each month during the absorption period.

Accessory dwelling unit
See Second Dwelling Unit.

Acquisition-Rehab Program
A colloquial term for program, usually run by a nonprofit group or local government, that purchases abandoned or substandard properties, repairs them and sells them to lower income homebuyers.

Affordable Housing
In general, housing for which the occupant(s) is/are paying no more than 30 percent of his or her income for gross housing costs, including utilities. Please note that some jurisdictions may define affordable housing based on other, locally determined criteria, and that this definition is intended solely as an approximate guideline or general rule of thumb.

Affordable Housing, Permanent
Permanently affordable housing developments provide homes at low rents to residents who qualify and these restrictions stay with the unit, usually for the life of the building or at least 55 years. Permanently affordable housing is often price-controlled according to AMI, or Area Median Income.

Affordable Housing Fund
A subsidy funding program of the Federal Home Loan Bank Board, the official governing body that oversees savings and loan institutions.

American Community Survey
A nationwide survey designed to provide communities with a fresh look at how they are changing. It is a critical element in the Census Bureau's reengineered 2010 census plan. The ACS collects information such as age, race, income, commute time to work, home value, veteran status, and other important data from U.S. households.

Amortization
The gradual repayment of a mortgage by installments.

Amortizing Loan
A loan for which equal payments are due on a regular periodic basis, usually monthly. The payments include varying amounts of principal and interest. These are sometimes called "level payment" loans, as opposed to deferred payment loans due only on resale or loans repaid with unequal periodic payments of principal and interest.

Area Median Income (AMI)
A term of art used by some federal programs to describe published income standards for various areas of the country that are used as benchmarks for determining households' eligibility for federally funded programs. For example, homebuyers assisted with HOME or CDBG funds generally must have incomes at or below 80% of area median income. AMIs are calculated and published annually by HUD. "Median" means that half of all households in the area are estimated to have more than this amount of income.

Brownfields
Abandoned, idled, and underused industrial and commercial facilities where expansion and redevelopment is burdened by real or potential environmental contamination.

Building Code
A set of building construction requirements developed and administered by national and local bodies to ensure that buildings meet certain minimum standards for structural integrity, safety, design, and durability.

Builder
The group or entity that constructs dwelling units. A vertical builder is an entity that acts as the developer and builder. See the definition of "Developer."

California Department of Housing and Community Development (HCD)
A department within the California Business, Consumer Services and Housing Agency that develops housing policy and building codes (i.e. the California Building Standards Code), regulates manufactured homes and mobile home parks, and administers housing finance, economic development and community development programs

Capacity Building
A term used to describe technical assistance (and sometimes staff grants) given to a nonprofit organization to increase their organizational and staff capacity, funding resources, and output.

Capitalize; Capitalization
Has several meanings as used in the low-income housing industry. The most common is "capitalizing a loan fund," i.e. raising grants or low-interest loans for a fund from which loans are made to third parties. In real estate development, the term can also mean characterizing certain expenses such as loan interest and professional fees as capital costs, not ordinary operating expenses.

Cash-to-Close
A colloquial term used in the single-family lending industry to describe the total amount of cash to be provided by the homebuyer at the real estate and loan closing. This cash is applied to pay the down payment, appraisal fee, and other loan-related fees, recording costs, and pre-paid real estate taxes and insurance.

Census Tract
A small, relatively permanent statistical subdivision of a county or statistically equivalent entity, delineated for data presentation purposes by a local group of census data users or the geographic staff of a regional census center in accordance with Census Bureau guidelines.

Census Tract Number
A four-digit basic number, followed by an optional two-digit decimal suffix, used to uniquely identify a census tract within a county or statistically equivalent entity.

CHDO
Pronounced CHO-DOE. A HUD term for a Community-Based Housing Development Organization in relation only to the federal HOME program (see "HOME"). HOME reserves 15% of its funds for CHDOs. A CHDO must have on its board at least one-third low-income people, their specially elected representatives, or residents of low-income census tracts.

CHDO Entitlement
The amount of money a city, state or urban county gets annually from HUD based on a formula through the Community Development Block Grant program.

Chronically Homeless Individual
A homeless individual with a disability who lives either in a place not meant for human habitation, a safe haven, or in an emergency shelter, or in an institutional care facility if the individual has been living in the facility for fewer than 90 days and had been living in a place not meant for human habitation, a safe haven, or in an emergency shelter immediately before entering the institutional care facility. In order to meet the "chronically homeless" definition, the individual also must have been living as described above continuously for at least 12 months, or on at least four separate occasions in the last 3 years, where the combined occasions total a length of time of at least 12 months. Each period separating the occasions must include at least 7 nights of living in a situation other than a place not meant for human habitation, in an emergency shelter, or in a safe haven.

Closing
The occasion where the sale of real estate and/or the making of a loan is finalized. Sometimes called "settlement."

Cohousing Community
An intentional community of private homes clustered around shared space. Each attached or single family home has traditional amenities, including a private kitchen. Shared spaces typically feature a common house, which may include a large kitchen and dining area, laundry, and recreational spaces.

Commercial Linkage Fees (CLF)
CLFs are a type of impact fee assessed on new commercial developments or major employers based on the need for workforce housing generated by new and expanding businesses. Revenues generated by the fee are then used to help fund the development of affordable housing opportunities within accessible commuting distance to the employment center.

Community Development
A term broadly used to describe any efforts to improve housing, infrastructure, education, social services and employment in lower income areas.

Community Development Block Grants (CDBG)
This is a HUD (federal) program that provides grants to cities and states to undertake community development efforts. Affordable housing is a common use, and many cities subcontract with nonprofits to run the programs. Generally, rural areas and cities smaller than 50,000 population must apply on a competitive basis annually or bi-annually to be a state government agency administering the Small Cities CDBG program.

Community Development Corporation (CDC)
Entrepreneurial nonprofit institutions that combine public and private resources to aid in the development of affordable homes in socioeconomically disadvantaged areas.

Conventional Financing
In the low-income housing industry, a term often used to refer to any loan made with non-subsidy sources. Among private, single-family lenders, a term to describe a loan that is made with a minimum 20% down payment and conventional underwriting criteria—a maximum 80% loan-to-value ratio and maximum 28/36 underwriting ratios. See "loan-to-value ratio" and "underwriting ratios."

CRA – The Community Reinvestment Act
A federal law that encourages lenders to make residential and commercial loans to low-income and minority people, and/or in low-income areas.

Cottage Housing
Cottage Housing is generally defined as a grouping of small, single family dwelling units clustered around a common area and developed with a coherent plan for the entire site. They have gained popularity in recent years as a type of infill development on small sites, within existing developed areas. The cottage units may have other shared amenities. The shared common area and coordinated design allow densities that are higher than typical single-family neighborhoods, while minimizing impacts on adjacent residential areas.

Debt Ratio
See "installment debt ratio."

Debt Service
Principal and interest payments on a loan usually paid monthly.

Deed in Lieu of Foreclosure
To avoid foreclosure ("in-lieu" of foreclosure), a deed is given to the lender to fulfill the obligation to repay the debt. This process does not allow the borrower to remain in the house, but helps avoid the time, effort, and costs associated with foreclosure.

Deed of Trust
See "mortgage loan."

Deed Restriction
Deed restrictions limit the use of the property by income levels, resale price, or other factors to ensure long-term affordability of the unit.

Deferred Payment Second Mortgage Loan
A non-amortizing loan, usually at 0% interest, on which no repayments are due until sale or some other point in the future. They are usually made by a public or nonprofit agency to a lower income homebuyer or a developer of low-income housing. Sometimes called a "deferred payment loan," a "DPL," or a "soft second mortgage."

Demand
The total number of households in a defined market area that would potentially move into proposed new or renovated housing units. These households must be of the appropriate age, income, tenure, and size for a specific proposed development. Components of demand vary and can include household growth, turnover, those living in substandard conditions, rent over-burdened households, and demolished housing units. Demand is project specific.

Density
The average number of dwelling units or persons per gross acre of land, usually expressed in units per acre, excluding any area of a street bordering the outside perimeter of a development site.

Density Bonus
A percentage increase in the number of homes authorized for a particular parcel of land beyond the maximum allowed per local zoning ordinances used to incentivize the developer to include affordable homes. In California, the State Density Bonus Law (Gov. Code 65915), enacted in 1979, requires cities and counties to offer density bonuses, incentives and waivers to housing developments that include a certain percentage of homes affordable to low- or very low-income households

Developer
A person or entity that takes raw land, obtains the necessary permits, creates building lots, and puts in necessary infrastructure for the future development.

Dilapidated Housing
A housing unit that does not provide safe and adequate shelter, and in its present condition endangers the health, safety or well-being of the occupants. Such a housing unit shall have one or more critical defects, or a combination of intermediate defects in sufficient number or extent to require considerable repair or rebuilding. Such defects may involve original construction, or they may result from continued neglect or lack of repair or from serious damage to the structure.

Down Payment Assistance
Grants or low interest loans given to lower income homebuyer's help to fund down payment and/or closing costs—usually in the range of $2,000 to $5,000. Less commonly, the term is used to refer to any second mortgage financing in any amount.

Enhanced Infrastructure Financing District (EIFD)
Tax increment financing (TIF) program within California that is used as a way to fund infrastructure and important public facilities. Please see the Town of Mammoth Lakes EIFD webpage for more information.
(https://www.townofmammothlakes.ca.gov/621/Enhanced-Infrastructure-Financing-Dist-E)

Entitlement Jurisdiction
In the affordable housing world, a city or county entitled to receive Community Development Block Grant funds directly from HUD—usually with a population exceeding 50,000.

Extremely Low-income Household
As widely defined by governmental and nonprofit organizations, a household with an income at or below 30% of median income. See "area median income."

Fair Housing Act
Federal legislation, first enacted in 1968 and expanded by amendments in 1974 and 1988, that provides the Secretary of HUD with investigation and enforcement responsibilities for fair housing practices. The law prohibits discrimination in housing and lending based on race, color, religion, sex, national origin, handicap, of familial status.

Fair Market Rent (FMR)
Estimates established by HUD of the gross rents (contract rent plus tenant-paid utilities) needed to obtain modest rental units in acceptable condition in specific county or Metropolitan Statistical Area. HUD generally sets FMR so that 40% of the rental units have rents below it. In rental markets with a shortage of lower priced rental units, HUD may approve the use of FMRs that are as high as the 50th percentile of rents.

Fannie Mae
The most common term for the Federal National Mortgage Association (FNMA), a publicly chartered corporation that buys residential mortgage loans from loan originators, typically local banks and thrift institutions.

Farmer's Home Administration
See "Rural Housing Service."

Federal Home Loan Mortgage Corporation (FHLMC) or Freddie Mac
Congressionally chartered agency established in 1970 (and privatized in 1989) to buy qualifying residential mortgages from originating lenders. The loans are either kept in portfolio of packaged and sold as securities. Freddie Mac also offers programs with more flexible underwriting guidelines for lower income homebuyers. With Fannie Mae, the corporation's activity has helped to create an enormous secondary mortgage market.

Federal National Mortgage Association (FNMA or Fannie Mae)
Created in 1938 to purchase FHA, and later VA and conventional mortgages, Fannie Mae is now privately owned and managed, federally chartered corporation, the largest source of home mortgage funds in the United States. It buys qualifying residential mortgages from originating lenders and either keeps them in portfolio or packages and sells them as securities. Fannie Mae also offers programs with more flexible underwriting guidelines for lower income homebuyers.

Fee Simple Ownership
Outright ownership of real estate, as opposed to leasing, lease-purchase arrangements, and buying a home on land leased from a land trust.

First Mortgage Loan
For a home purchase or a real estate project, usually the largest loan and one that gives the lender the most security. In case of foreclosure and sale, the first mortgage lender gets the money before any other lender is paid off. Also called a "first deed of trust" loan in some areas of the country.

Fixed-Rate Mortgage Loan
A mortgage loan for which the interest rate does not change over time.

Forbearance Agreement
An agreement in which a lender postpones foreclosure on a mortgage loan to allow the borrower time to catch up on overdue loan payments.

Foreclosure
The process by which a mortgaged property may be sold when a mortgage is in default.

Freddie Mac
A commonly used name or the Federal Home Loan Mortgage Corporation, a publicly chartered corporation that buys residential mortgage loans from loan originators, typically local banks and thrift institutions.

Green Building
A whole-building and systems approach to design and construction that employs building techniques that minimize environmental impacts and reduce the energy consumption of buildings while contributing to the health and productivity of its occupants.

Green Development
Development that uses environmentally friendly building practices and energy efficiency. There are a number of public and private incentives for green development, and increasingly, nonprofit developers use green construction as a way of increasing the expendable resources of lower income persons.

Gross Rent
The monthly housing cost to a tenant, which equals the contract rent stated in the lease plus the estimated cost of all tenant paid utilities.

HOME
The HOME Investment Partnership Program, a HUD program that grants housing subsidy funds on a formula basis to cities and states. Smaller cities must apply to states for funding. Funds may be used for acquisition, rehab, rent subsidies and (in some places) new construction. Subsidies can be low interest second mortgages, "forgivable" loans, grants, interest subsidies and rent subsidies. The program requires local nonfederal matching funds. HOME will fund developer fees and administrative costs of programs (up to certain limits).

Home Buyer Training
Workshops conducted for groups of prospective homebuyers. Participants receive training on the pros and cons of buying a home, credit issues, the home search, mortgage financing, special financing (if available), the loan closing, home maintenance, and other responsibilities of homeownership.

HOPE
A series of HUD programs that provide grants to local governments, housing authorities, or nonprofit organizations to convert unused or HUD-owned rental properties to homeownership opportunities. Properties must be public housing or government foreclosed housing. The grant pays for some administration, but requires a local match. Applicants compete for funds in periodic requests for proposals.

Housing Choice Voucher/ Section 8 program
Federal rent subsidy program under Section 8 of the U.S. Housing Act, which issues rent vouchers to eligible households to use for the housing of their choice. The voucher payment subsidizes the difference between the gross rent and tenant's contribution of 30% of adjusted income, (or 10% of gross income, whichever is greater). In cases where 30% of the tenant's income is less than the utility allowance, the tenant will receive an assistance payment. In other cases, the tenant is responsible for paying his share of the rent each month.

Housing Cost Burden
When 30% or more of a household's income is spent on housing costs. Many households are severely over-burdened and pay more than 50% of their income towards housing (see Severe Cost Burden).

Housing Element
A required element of all California city general plans, housing elements identify and analyze housing needs and include goals, objectives, policies and programs for providing a city's fair share of affordable housing needs. Although state law mandates that jurisdictions rezone enough land to meet their regional housing needs allocation and each jurisdiction is required to have an approved housing element, jurisdictions retain local land use control and Housing Elements are only plans for housing.

Housing Impact Fee
A per square foot impact fee levied on market rate housing that can be used to build affordable homes. The fees are based on the idea that every person who moves into a market-rate home generates a need for services typically provided by employees paid less than the median income

Housing Payment Ratio
In single-family lending, the percentage of a borrower's income that will be spent on the housing payment after a home purchase, refinancing, or home renovation refinancing. This includes payments of loan principal, interest, real estate taxes, and insurance (called PITI).

Housing Trust Fund
A loosely defined term covering various types of public and nonprofit-controlled funds from which loans and grants are made for affordable housing. These trust funds are variously capitalized with public revenue, dedicated taxes, grants and payments from market-rate developers.

HUD
The U.S. Department of Housing and Urban Development. HUD implements federal housing programs (like federally insured mortgages [FHA], Housing Choice Voucher Program [formerly Section 8], CDBG and HOME. Because Mammoth Lakes is a small jurisdiction, it does not receive direct allocations from HUD but has to compete at the State level through the California Department of Housing and Community Development (HCD).

Inclusionary zoning
A requirement that developers of new housing include a certain percentage of below market-rate homes. Inclusionary Zoning is a local law and each city that passes this law decides how many units must be affordable, and what price is considered affordable. Often developers can pay the city an "in-lieu fee" instead of including affordable units, which allows the city to use the money to build new affordable homes. In California, there is a legal challenge to Inclusionary Zoning's application to rental housing, which is now being debated at the California State Supreme Court.

Infill Housing
New homes or apartments built on smaller tracts of land, often in older neighborhoods, urban renewal areas or inner cities.

Installment Debt Ratio
In single-family lending, the percentage of borrower's income that will be spent on all installment debt after a home purchase, refinancing, or home renovation financing. The conventional ratio is 36% of income. Some community reinvestment loan products and insured loans allow a higher ratio.

Land Bank
A governmental or nongovernmental nonprofit entity established, at least in part, to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property.

Land Trust
In the strictest sense, a nonprofit organization that sells affordable homes but retains ownership of the land under them in order to control, through the lease, the long-term affordability of the homes. The lease ensures that the home is resold to a low-income family, sold at a below-market price, and/or sold with a share of the appreciated value going to the nonprofit. The term is used more loosely to describe programs that subsidize fee simple homeownership for low-income families and impose similar kinds of long-term affordability controls.

Layered Financing
Financing for an affordable housing project that includes several subsidy sources (for example, HOME, CDBG, and Tax Credits).

Lien
A document recorded in public records that represents a debt owed on the property. Examples of liens include: a recorded mortgage deed, a lien for unpaid taxes, and a mechanic's lien representing construction work on a property that was not paid for.

Livability
A measure of integration of the housing, transportation, environmental, and employment amenities accessible to residents. A livable community is one with multiple modes of transportation, different types of housing, and destinations located within an easy distance (20 minutes by transit, 15 minutes by bike or foot, 10 minutes by car) of homes. Additionally, Zoning Code Section 17.136.120 includes specific livability standards for housing mitigation units including minimum square footage, required amenities, and design standards.
(https://library.municode.com/ca/mammoth_lakes_/codes/code_of_ordinances)

Live/Work Housing
A housing arrangement where one is able to do their work in a specific office or workspace within the confines of the place they rent.

Leverage
In low-income housing, this means using one source of funds in a project to encourage investment by another source. As in, "our funding was leveraged five times in that project."

Loan-to-Value Ratio
The ratio between the proposed loan amount and the appraised value of a property that money is being borrowed for. For instance, if a proposed loan equals 85% of appraised value, the loan-to-value ratio is 85%. For community reinvestment programs, lenders will sometimes lend up to 95% or 97% of value, typically only if mortgage insurance is provided. The maximum ratio for conventional loans is 80%.

Low-income Household
As widely defined by governmental and nonprofit organizations, a household with an income at or below 80% of area median income. See "area median income."

Low-income housing tax credit program (LIHTC)
Federal tax credit for developers of affordable housing. States receive an annual dollar value of credits which they then allocate to qualifying projects based on priorities established in a state allocation plan.

Manufactured Homes
A home built entirely in the factory to a federal building code administered by HUD. The Federal Manufactured Home Construction and Safety Standards (commonly known as the HUD code) went into effect June 15, 1976. Manufactured homes may be single- or multi- section and are transported to the site and installed. The Federal standards regulate manufactured housing design and construction, strength and durability, transportability, fire resistance, energy efficiency, and quality.

Market-Rate Housing
Housing built by for-profit developers with private capital for people above 120% Area Median Income, adjusted for household size. This often includes doctors, lawyers and technology workers.

Master Plan
To develop or improve (land, a community, etc.) through a long-range plan that balances and harmonizes all elements.

Median Income
See "area median income."

Mixed Income Housing Development
Development that includes housing affordable to various income levels.

Mixed-use development
Projects that combine different types of development such as residential, commercial, office, industrial and institutional into one project.

Moderate-Income Household
As widely defined by governmental and nonprofit organizations, a household with an income between 80% and 120% of area median income. See "area median income."

Mortgage Insurance
Insurance provided by a private institution or public agency that insures a lender in whole or in part from losses due to a default on a loan. Lenders typically require mortgage insurance only for loans that are not considered conventional (see "conventional financing"). Borrowers pay the premiums. The Federal Housing Administration (FHA-part of HUD) provides many kinds of mortgage insurance, as does the Veterans Administration (VA) and many private insurers, who provide what is called "private mortgage insurance (PMI)."

Mortgage Loan
A loan secured by a mortgage deed, meaning the property owner has agreed to give the property to the lender if monthly payments are not made, so the property can be sold to pay off the loan. First deed of trust loan means the same thing.

Mortgagee
The Lender of a mortgage loan.

Mortgagor
The borrower of a mortgage loan.

Nexus Study
A formal study that analyzes the relationship between new development (housing, office, retail, etc.) and increased demand for facilities and services. Nexus studies are used to document that there is a relationship between development and these additional needs, to calculate how much of a need is created by the development, and to decide the fees necessary to address these newly created needs.

NIMBY: Not in my backyard
Neighborhood opposition to low income homes built near their own homes.

Non-Amortizing Loan
See "deferred payment loan."

Origination
Once a lone has been underwritten, the act of processing the loan through closing, providing the loan funds and setting the loan up for servicing.

Participation Loan
Usually, a first mortgage loan made on a larger real estate project such as an apartment acquisition, where two or more lenders provide the funds. In proportion to their funds provided, the share risk, repayments and any proceeds of sale in the event of a default. A common way to get lenders to finance multi-family deals that cannot immediately be sold to the secondary market.

PJ
Either what you wear late at night, or a Participating Jurisdiction under the HUD HOME program. A PJ is a local or state government eligible to contract directly with HUD for HOME funds. Smaller cities must subcontract from state government agencies.

PMI
See "mortgage insurance."

Prequalification
The process of assisting a homebuyer in determining if they qualify for conventional and/or subsidy loans. This typically involves a credit check, verifying income and asset information, and evaluating debt, income, and credit information in relation to lender underwriting standards. The process typically determines: 1) if a borrower has good enough credit to borrow, and 2) approximately how much can be borrowed at certain interest rates and loan terms.

Purchase-Rehab Program
See "acquisition-rehab."

Qualifying Ratios
See "underwriting ratios."

Regional Housing Needs Assessment (RHNA)
The Regional Housing Needs Assessment (RHNA) is mandated by State Housing Law as part of the periodic process of updating local housing elements of the General Plan. The RHNA quantifies the need for housing within each jurisdiction during specified planning periods. Communities use the RHNA in land use planning, prioritizing local resource allocation, and in deciding how to address identified existing and future housing needs resulting from population, employment and household growth. The RHNA does not necessarily encourage or promote growth, but rather allows communities to anticipate growth, so that collectively the region and subregion can grow in ways that enhance quality of life, improve access to jobs, promotes transportation mobility, and addresses social equity, fair share housing needs.

Regulatory Agreement
The Regulatory Agreement is a contract between HUD and a property owner that describes the property that is the subject of the agreement, and that enumerates the roles and responsibilities of the owner regarding how the property is to be managed and maintained, use of the property, sales restrictions, and enforcement, including violations of the agreement and remedies in the event of a default. Many HUD programs require a Regulatory Agreement (sometimes called a USE AGREEMENT).

Rent Control
Rent control is a form of price control that limits the amount a property owner can charge for renting out a home, apartment or other real estate. Rent control acts as a price ceiling by preventing rents either from being charged above a certain level or from increasing at a rate higher than a predetermined percentage.

Rent Stabilization
Policies and laws that prevent landlords from charging tenants large rent increases. Under California law, there is no limit on how much a landlord can charge a new tenant, but once the tenant moves in, future rent increases can be regulated. In California, rent stabilization does not apply to new apartments built after 1995 and it does not apply to single-family homes, and while some jurisdictions have adopted rent stabilization and protection policies, the vast majority has not.

Rent Subsidies
Term typically used to describe HUD's Section 8 program, which subsidize, the rent of low-income tenants in privately owned apartments and are typically administered by local housing authorities. There are two types of subsidies with only slight technical differences—certificates and vouchers. Generally, tenants pay 30% of income for rent and utilities and HUD pays the rest directly to the landlord. Some other HUD funding programs for supportive housing and special needs housing can be used for rent subsidies. Some local governments sometimes provide rent subsidies or stipends with their own funds.

Request for Proposal (RFP)
A process for soliciting applications for technical or consulting services or for project developers when funds are awarded competitively.

RTC – Resolution Trust Corporation
A quasi-public, federally chartered corporation that was charged in the early 1990s with selling off assets acquired by the government from bailed-out lenders that were federally insured.

Rural Housing Service
A division of the U.S. Department of Agriculture that provides housing grants and loans to housing projects in small cities and rural areas, similar to programs of HUD in urban areas.

Section 8
See "rent subsidies."

Section 502
A program of the Rural Housing Service that provides low-income borrowers with direct low-interest loans or loan guarantees to buy a new or existing home. The guarantors are used as an incentive for private, institutional lenders to make home purchase loans at interest rates slightly below market. Section 502 loans are also sometimes originated as low-interest second mortgage loans made in tandem with first mortgage loans from private lenders.

Second Dwelling Unit.
A dwelling unit providing complete independent living facilities for one or more persons that is located on a lot with another primary, single-unit dwelling. A second unit may be within the same structure as the primary unit, in an attached structure, or in a separate structure on the same lot.

Secondary Market
Collectively, the companies and government institutions that buy mortgage loans from lenders that originated them. A large number of single-family mortgage loans and some multifamily loans are sold to the secondary market, even through originators may still service many of the loans (see "servicer").

Secondary Financing
A term used to describe any financing used in conjunction with first mortgage loans from conventional financing institutions—for example, a down payment grant, a deferred payment loan, or an amortizing second mortgage loan.

Self-Sufficiency Programs
A loosely defined term used to describe various programs that assist the homeless, people on welfare or public housing tenants in getting training, day care and employment. HUD funds or promotes several self-sufficiency programs for public housing tenants and tenants with HUD rent subsidies.

Servicer
Or "loan servicer." A company that collects payments due on mortgage loan, often the lender that originated the mortgage loan, even if the lender sold the loan to another entity.

Servicing
The act of collecting loan payments, accounting for them, making reports and managing escrowed funds for taxes and insurance.

Settlement
See "closing."

Severe housing cost burden
When 50% or more of a household's income is spent on housing costs.

Single Family Property
A single-unit family residence, detached or attached to other housing structures.

Single Room Occupancy (SRO)
Efficiency units which may or may not include separate bathroom or kitchen facilities.

Smart Growth
An approach to planning and development that promote a more efficient use of land to reduce sprawl using compact development patterns that are less dependent on the automobile and include a range of housing options and improve the balance of jobs and housing within the community or the region.

Soft Costs
A jargon term for non-bricks-and-mortar costs of a real estate development project. Includes architectural costs, surveys, appraisals, other fees, holding costs, etc.

Soft Money
A jargon term for subsidy funds from public or charitable sources used in a real estate development project. There are degrees of "soft." The softest funding consists of grants and deferred payment loans. Less soft are low interest, amortizing loans.

Soft Second Mortgage
See "deferred payment second mortgage."

Special Needs Housing
A loosely defined term for affordable or no-cost residential facilities for people with special medical problems, the homeless or people enrolled in self-sufficiency programs. In the broadest sense, it includes emergency shelters, longer-term shelters, transitional housing, halfway houses and group homes.

Subordinated Loan
In single-family mortgage lending, a second or third mortgage loan with a lien that is subordinate to a first or second mortgage loan. In the event of default and foreclosure, subordinated loans are repaid only after other debts with a higher claim have been satisfied. (See "mortgage loan" and "lien.")

Subsidy
In housing, money put into a deal to lower the monthly debt service on an individual home or in a larger project. Low interest second mortgage loans are the most common source of subsidy. Tax credit investments can also act as a subsidy. Rent subsidies are given to landlords to reduce rents paid by tenants.

Sustainable Communities
Urban, suburban, and rural places that successfully integrate housing, land use, economic and workforce development, transportation, and infrastructure investments in a manner that empowers jurisdictions to consider the interdependent challenges of: 1) economic competitiveness and revitalization; 2) social equity, inclusion, and access to opportunity; 3) energy use and climate change; and 4) public health and environmental impact.

Tax Increment Finance District (TIF)
A public financing method that is used as a subsidy for redevelopment, infrastructure, and other community-improvement projects in many countries, including the United States. Similar or related value capture strategies are used around the world.

Tenant-Based Rental Assistance
HUD assists low- and very low-income families in obtaining decent, safe, and sanitary housing in private accommodations by making up the difference between what they can afford and the approved rent for an adequate housing unit.

Three-Two (3/2) Option
Underwriting guidelines that allow homebuyers to make a three-percent down payment with their own funds, coupled with a gift from a relative or a two-percent grant or unsecured loan from a nonprofit or government-sponsored program. For example, Fannie Mae will purchase loans from approved lending programs that use this option, if the borrower's income does not exceed 115% of the area median income.

Transit-Oriented Development (TOD)
Development of commercial space, housing services, and job opportunities close to public transportation, thereby reducing dependence on automobiles. TODs are typically designed to include a mix of land uses within a quarter-mile walking distance of transit stops or core commercial areas.

Transitional Housing
A loosely defined term covering a number of housing facilities that serve the formerly homeless, people trying to get off welfare, or people released from institutions. Usually the term of stay is restricted to one to two years. The most common form is apartments or shared living facilities for the formerly homeless or single female parents with children. When treatment and supervision is involved, a facility is usually called a halfway house or group home.

Underwriting
The process of evaluating a loan application to determine if it meets credit standards and any other special requirements (as with special loan products for low-income borrowers). The underwriting process determines whether or not a loan will be approved, and on what terms and conditions.

Underwriting Ratios
Criteria used by lenders to determine how large a loan a prospective borrower can afford. The housing payment ratio (for "front" ratio) is the maximum percentage of monthly household income that can be paid for principal, interest, taxes and insurance (PITI). The installment debt ratio (or "back" ratio) is the maximum percentage of income that can be paid for total installment debt (including PITI, car loans, etc.). Ratios for conventional loans are 28% for PITI, and 36% for all installment debt, often expressed as 28/36. Many special loan products allow ratios of 33/38 or even higher increasing the amount of the monthly payment and, thus, the amount that can be borrowed.

U.S. Department of Housing and Urban Development (HUD)
Established in 1965, HUD's mission is to increase homeownership, support community development, and increase access to affordable housing free from discrimination. To fulfill this mission, HUD will embrace high standards of ethics, management and accountability and forge new partnerships — particularly with faith-based and community organizations — that leverage resources and improve HUD's ability to be effective on the community level.

Variable-Rate Mortgage Loan
A mortgage loan for which the interest rate may change over time in relationship to some index such as the market price of long-term U.S. Treasury obligations.

Very Low-Income Household
As widely defined by governmental and nonprofit organizations, a household with an income at or below 50% of area median income. See "area median income."

Vouchers
Or Housing Vouchers. See "rent subsidies."

Write-down
A colloquial term used to describe a grant from a public or private source used to pay for part of the costs of a real estate development project. The grant is called a write-down because it makes the housing more affordable for tenants or homebuyers.

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