



GUIDING PRINCIPLES OF HOMEOWNERSHIP

*Setting the Groundwork
for a Strong Foundation*





Dear New Homeowner,

CONGRATULATIONS! Welcome to the Virginia Housing Development Authority. We know this is an exciting time for you.

VHDA is dedicated to working with you to ensure your success as a homeowner. We are providing you with this reference booklet to answer questions you might have about the servicing of your loan. We trust you will find it useful.

Homeownership involves more than just the purchase of a house. For many people, owning a home provides stability and security, and establishes the foundation for a solid future. Homeownership is also a big responsibility. It is a commitment that involves finances, family, community and economic growth.

Homeownership is one of the biggest investments most people will make in their lifetime. With the closing of your home loan, you now have increased responsibilities and obligations. It is extremely important to understand the financial obligation associated with the purchase of a home, and that you continue to meet this financial responsibility.

Our goal is to provide outstanding customer service to our homeowners, and we look forward to a long-term relationship with you, our valued customer.

Table of Contents

Chapter 1 Facts About Your VHDA Mortgage

Welcome letter and call.....	7
Your coupon book.....	7
Making your payment.....	7
Methods for making your payments	9
Payment due date	10
Assessment of late charges	10
Avoiding late payments	10
1098 year-end statements.....	10
Updating your records.....	11

Chapter 2 Your Escrow Account

How does the escrow account work?	13
Escrow analysis	13
Escrow shortage.....	14
Escrow surplus	14
Property taxes.....	14
Homeowners insurance	15
Private Mortgage Insurance (PMI).....	16
Mortgage Insurance Premium (MIP)	16
Optional insurance.....	17

Table of Contents

Chapter 3	Selling, Transferring or Renting Your Home	
	Selling by means of assumption.....	19
	Transferring.....	19
	Renting your property	20
Chapter 4	Alternatives to Losing Your Home	
	Financial counseling/credit counseling	21
	What should you do if you are unable to make your mortgage payments?	21
	What happens if you miss mortgage payments?	23
	What are other alternatives?	23
	How do you know if you qualify for any of these alternatives?	24
Chapter 5	Maintaining Your Property	
	Budget for monthly expenses.....	25
	Budget for emergencies.....	25
	Avoid the temptation to make major purchases on credit	25
	Make timely payments	26
	Beware of predatory lending.....	26
	Perform regular inspections and maintenance	26
Glossary		29
Helpful Resources		37
Contact Information		38
Legal Disclaimer		39



Facts About Your VHDA Mortgage

Being a new homeowner can involve learning a variety of new information and terms. Here is an overview of information related to your VHDA mortgage:

Welcome letter and call – When your loan has closed and VHDA has received your closing documents, you will receive a welcome letter and a phone call with information about the servicing of your loan.

Your coupon book – At your closing, you should have received a temporary payment coupon. You can use this coupon to make your first payment if you have not received a coupon book before the first payment's due date. Your actual coupon book will arrive within 7 to 10 business days after VHDA receives your loan file from the originating lender. If you haven't received your coupon book within this time frame, please call our Customer Service Department toll free at 800-235-6938.

Making your payment – When making your mortgage payment, you must include a coupon with your payment. The coupon is important because you can indicate exactly how you want your funds posted to your account. For example, if you are making a payment of more than the amount of your regularly scheduled payment, such as an additional principal payment or paying on an escrow shortage, then you need to indicate this on your coupon. Please note: We do not accept funds that are less than the payment amount shown on the coupon. Partial payments may be returned for the full payment amount due. Also,

be sure to put your loan number on your check or money order — this ensures timely and correct posting of your payment. **If you have multiple loans, such as a first and a second mortgage, you will receive two coupon books. In this event, you can write one check, but you must always enclose a coupon for each loan. This will prevent a misapplication of your payments.**

Coupon for one or first mortgage

LOAN NUMBER 999911	ON TIME PAYMENT - DUE ON OR BEFORE \$718.27 MAY 1, 05	LATE PAYMENT - IF RECEIVED AFTER \$747.00 MAY 16, 05										
 John & Jane Doe		<table border="1"> <tr> <td>ON TIME PAYMENT</td> <td>\$718.27</td> </tr> <tr> <td>LATE PAYMENT</td> <td></td> </tr> <tr> <td>ADDITIONAL PRINCIPAL</td> <td>\$150.00</td> </tr> <tr> <td>ESCROW</td> <td></td> </tr> <tr> <td>TOTAL AMOUNT OF CHECK</td> <td>\$868.27</td> </tr> </table>	ON TIME PAYMENT	\$718.27	LATE PAYMENT		ADDITIONAL PRINCIPAL	\$150.00	ESCROW		TOTAL AMOUNT OF CHECK	\$868.27
ON TIME PAYMENT	\$718.27											
LATE PAYMENT												
ADDITIONAL PRINCIPAL	\$150.00											
ESCROW												
TOTAL AMOUNT OF CHECK	\$868.27											
<p>Remember that payments are due on the first of each month.</p> <p>VHDA CENTRAL SERVICING PO BOX 79748 BALTIMORE MD 21279-0748</p> 												
<p>789 999911 0000000 0000000 0</p>												

Indicate additional principal and/or escrow

Coupon for second mortgage

LOAN NUMBER 999912	ON TIME PAYMENT - DUE ON OR BEFORE \$45.60 MAY 1, 05	LATE PAYMENT - IF RECEIVED AFTER \$47.88 MAY 16, 05										
 John & Jane Doe		<table border="1"> <tr> <td>ON TIME PAYMENT</td> <td>\$45.60</td> </tr> <tr> <td>LATE PAYMENT</td> <td></td> </tr> <tr> <td>ADDITIONAL PRINCIPAL</td> <td></td> </tr> <tr> <td>ESCROW</td> <td></td> </tr> <tr> <td>TOTAL AMOUNT OF CHECK</td> <td>\$45.60</td> </tr> </table>	ON TIME PAYMENT	\$45.60	LATE PAYMENT		ADDITIONAL PRINCIPAL		ESCROW		TOTAL AMOUNT OF CHECK	\$45.60
ON TIME PAYMENT	\$45.60											
LATE PAYMENT												
ADDITIONAL PRINCIPAL												
ESCROW												
TOTAL AMOUNT OF CHECK	\$45.60											
<p>Remember that payments are due on the first of each month.</p> <p>VHDA CENTRAL SERVICING PO BOX 79748 BALTIMORE MD 21279-0748</p> 												
<p>789 999912 0000000 0000000 0</p>												

Methods for making your payments – VHDA offers a variety of ways to make your monthly payments:

- *By mail:* send your coupon and payment to our processing center using the address on your monthly coupon.
- *By the Internet:* visit vhda.com, select the “Homeowners” page, then select the “Make Online Payment” option and follow the instructions provided. You can also go to <https://carenet.fnfismd.com/vhda/> and use your provided login information.
- *By a touch-tone phone:* call us toll free at 800-235-6938 (783-6729 in the Richmond area), and select the “Make payment by phone” option.
- *By Automatic Payment Program (ACH) from a checking or savings account:* make your mortgage payment each month on a designated day without having to write and send us a check. Funds are automatically transferred from your bank account to VHDA, and the payment is automatically posted to your loan account. This service saves you time and money while ensuring a consistent payment history. An application for this free service is available in your coupon book, on our website or by contacting our Customer Service Department. With our Automatic Payment Program, you sign up once and never have to remember to send us a monthly payment again!

For more information, visit our website at vhda.com or contact our Customer Service Department toll free at 800-235-6938 (783-6729 in the Richmond area).

Payment due date – Generally, mortgage payments are due on the first day of each month. To ensure you are making timely payments, please review the terms of your mortgage documents (Note and Deed of Trust). These documents will provide you with your loan’s specific due date. Payment due dates cannot be changed.

Assessment of late charges – Usually late charges will be assessed to your mortgage loan if VHDA has not received the payment within 15 days after the due date. Should that day fall on a weekend, the assessment will occur upon the close of business on the next business day. Please review your mortgage loan documents to determine if your late charge assessment date is a date other than what is stated above. It also is important to allow for mail time when sending your payments to avoid a late charge fee.

Avoiding late payments – If you are unable to make your mortgage payment, you should immediately contact VHDA’s Collections Department toll free at 888-756-8603. By promptly notifying VHDA, our Collections and Loss Mitigation staff has sufficient time to work with you, to help you get through a short-term hardship and to possibly save your home. Please do not ignore this situation. We are here to help you.

1098 year-end statements – For income tax purposes, year-end statements are furnished annually by January 31. You can also find your tax information by visiting VHDA’s website at vhda.com. Select the “Homebuyers” page, then select the “Access My Loan Information” option. Another option is to call our Customer Service Department after January 31. Please note: The website data is for informational purposes only.

If another servicing company transferred your loan to VHDA in the prior year, you could receive two 1098 year-end statements at the end of the year — one from the previous servicing company and one from VHDA.

Updating your records – Notify VHDA of any of the following changes by calling our Customer Service Department toll free at 800-235-6938 (783-6729 in the Richmond area):

- **Name change** – If there has been a legal name change, you need to provide us with a copy of the recorded or filed document showing this change.
- **Marriage** – Send us a copy of your marriage certificate. If your new spouse is not on the mortgage and you want VHDA to provide information to this person, you will also need to send a written approval authorizing VHDA to release your mortgage information.
- **Death** – If either borrower dies, you need to provide us with a copy of the death certificate.
- **Moved and have different mailing address** – Notify us immediately if you have moved or have a different mailing address. A change of address form is located in your coupon book. You also may change your address on our website.
- **Phone numbers** – Provide us with both your home and work phone numbers, in the event we need to contact you.
- **Renting the property** – If you are renting your VHDA-financed home, you must send us a letter explaining the situation. Renting your property can have significant insurance and loan servicing implications.



Your Escrow Account

The escrow account is used to pay local real estate taxes, homeowners insurance, and if applicable, private mortgage insurance or mortgage insurance premium. These items may be required as a part of your closing. VHDA is obligated under the terms of your mortgage documents to collect and maintain this account for taxes, insurance and other related items. The escrow provision cannot be waived.

How does the escrow account work? Each mortgage payment you make includes an amount that is deposited to your escrow account. Usually the amount deposited represents one-twelfth of the annual disbursement for your property taxes, insurance premiums and any other escrow items. As the charges become due, VHDA pays your escrow items directly to the taxing authority of the locality in which you live or to an insurance company.

Escrow analysis – We perform an escrow analysis on your loan on an annual basis, and provide you with a statement summarizing this analysis. VHDA uses the aggregate method to determine the required monthly payment of your escrow account. This method projects the balance of your account during the next year based on the actual bills paid for escrow items in the previous 12 months. The projection includes your monthly escrow deposits, expected bills to be paid from your escrow account, the months in which they are expected to be paid and the estimated monthly balance. Sometimes there will be changes in your monthly payment amount. These changes

usually result from increases or decreases in the amount of expenses that are due on your property per your tax assessment. Any shortage or surplus will be reflected on the statement, and your future payment amount will be adjusted accordingly.

Escrow shortage – If increases in escrow items result in a shortage of required funds in your escrow account, repayment of the shortage occurs during the next 12 payments. You also can pay this shortage in full.

Escrow surplus – If you have a surplus of funds greater than \$50, VHDA will send you a refund check. If the amount is less than \$50, VHDA will decrease your monthly payment based on the amount for a specified term.

Property taxes

Normally, we receive your tax bill directly from the taxing authority of the locality where you live, and make the payment from your escrow account. However,

if you should receive the original tax bill, please forward it immediately to: VHDA, P.O. Box 4629, Richmond, Virginia 23220. Delays could result in unnecessary penalties being added to your taxes. Supplemental or interim tax bills are generally sent to the borrower. Because we are unaware of any supplemental tax bills, you must send any such bills to VHDA immediately. If funds have not been collected at closing for any supplemental tax bills, your escrow account

If you should receive the original tax bill, please forward it immediately to: VHDA, P.O. Box 4629, Richmond, Virginia 23220.

might become overdrawn. You are subject to penalty and interest for delays in sending us supplemental tax bills.

General tax bill inquiries – Tax bill inquiries should be made to your local taxing authority. They can explain the bill and how it was derived. You also can obtain copies of your tax receipt.

Tax exemption – Depending on your age, where you live, disability status or if you are a veteran, you may be eligible for some type of tax relief. Your local taxing authority can determine if you qualify for such an exemption, and also provide the necessary application information. If you do qualify for a reduction or total exemption, please forward the corrected tax bill to VHDA or have the taxing authority notify us in writing of the change.

Homeowners insurance

Maintaining adequate insurance coverage – It is the homeowner's responsibility to maintain adequate property insurance coverage (for an amount at least equal to the current principal balance) at all times. You are responsible for making sure your renewal policy reaches VHDA before the expiration date of the existing coverage. Failure to do so can result in incorrect premium payments, along with additional insurance costs to protect your mortgage lender. If we don't receive proof of insurance, dwelling coverage only will be placed on your behalf and charged to your escrow account. You will receive prior written notice in this event. Usually, coverage provided by this temporary insurance can be different and more expensive than your expired coverage.

Changing your insurance company and/or coverage –

You must notify us of a policy change. If you change your policy before your current one expires, you may not receive a full refund from the former insurance company.

Insurance claims – When your property has been damaged, you must notify your insurance company or agent immediately. Settlement checks will be paid jointly to you and to VHDA. Certain requirements must be fulfilled before any funds will be released to pay for repairs. Contact us for more details.

Private Mortgage Insurance (PMI)

Private Mortgage Insurance is usually required when the borrower obtains a conventional loan with a loan-to-value ratio greater than 80%. PMI protects the lender in the event of a default, and the premium is paid from your escrow account. Before PMI is cancelled or terminated, special requirements must be met. For more information, contact our Customer Service Department toll free at 800-235-6938.

Mortgage Insurance Premium (MIP)

The Federal Housing Administration (FHA) provides lenders this type of insurance, which is paid for by the homeowner. MIP consists of two parts: an upfront cost calculated on the mortgage amount and an annual premium using a predetermined percentage of the loan amount to be paid monthly by the homeowner. This amount is included in your monthly payment.

Optional insurance

As a VHDA mortgage customer, you can get financial protection specially designed to pay your mortgage if something unexpected happens. Below is a brief description of various types of optional insurance. More information on these types of insurance can be found in your coupon book, or you can contact our Customer Service Department toll free at 800-235-6938.

Mortgage life insurance – Pays off your mortgage balance in the event of your death.

Accidental death insurance – Pays off your mortgage in the event of your death by accident only, not illness.

Disability insurance – Pays your mortgage payments if you are unable to work for a specified time period.



Selling, Transferring or Renting Your Home

Here is important information you should know about your VHDA mortgage in the event that you are planning to sell, transfer or rent your property.

Selling by means of assumption

Assumptions are generally allowed only on FHA and VA loans.

- If your loan is assumable, you may be able to transfer the mortgage to the new buyer. VHDA will require a credit review of the buyer and will charge an assumption fee for this process.
- **Assumption of your mortgage** – To determine if your loan is assumable, check your mortgage documents (Deed of Trust) or contact VHDA's Assumption Department toll free at 800-235-6938 to receive the exact requirements that may apply to your mortgage. It is important to know this information before you enter into a contract to sell your home.

Transferring your loan without VHDA's prior written consent could trigger the acceleration clause of your Deed of Trust, and cause your mortgage loan to become due and payable.

Transferring

- If you transfer your loan without VHDA's prior written consent, it could trigger the acceleration clause of your Deed of Trust and cause your mortgage loan to become due and payable. In other words, the loan would have to be paid in full.

- In a divorce proceeding, a *quitclaim deed* does not constitute the automatic release of liability. Liability can only be released if we have performed a credit review on the person retaining the property.

Renting your property

VHDA discourages the rental of your VHDA-financed home. However, we know there may be cases in which this cannot be avoided. If you have been transferred or have other reasons for renting your home, you must send us a letter explaining the situation. When VHDA receives the letter, we will notify you of our requirements for renting.

Alternatives to Losing Your Home

We are committed to helping our homeowners who are experiencing difficulties remain in their home. When you first realize you are having financial difficulties or a hardship beyond your control that prevents you from making your payments, you should contact VHDA immediately. Below is important information to consider.

Financial counseling/credit counseling

If you are encountering financial difficulties beyond your control, such as a lay-off, reduction in income, death/illness in the family or divorce, that make it difficult to pay your mortgage, you should consider seeking financial counseling. HUD-approved housing counseling agencies are valuable resources. They frequently have information on services and programs offered by government agencies, as well as private and community organizations. The housing counseling agency also may offer credit counseling. These services are usually free of charge. For the housing counseling agency nearest you, call toll free at 800-569-4287 or TDD 800-877-8339.

What should you do if you are unable to make your mortgage payments?

1. **Call or write VHDA without delay.** Call the Collections Department toll free at 888-756-8603 or write us at P.O. Box 4627, Richmond, Virginia 23220. Clearly explain your situation and be prepared to provide financial information and to discuss your circumstances. This information is necessary for us to determine the best workout solution for you.

2. **Do not ignore letters and phone calls.** If you have not made your mortgage payment, VHDA will contact you by phone or mail. It is extremely important to cooperate and respond to our efforts to contact you.
3. **Stay in your home for now.** If you abandon your property, you may not qualify for assistance. If your health, safety or welfare is threatened, we understand that staying in your home may not be possible.
4. **Apply for assistance.** For VHDA to assist in any loss mitigation options, we require a completed Borrower's Financial Package (application for assistance) found on our website, vhda.com, on the "Homeowners" page. The package requires information regarding your current income, nature of hardship, bank statements, tax transcripts and other details that will allow us to evaluate your situation for loss mitigation assistance. Based on the information in the package, we will work with the insurer of your loan to pursue the best alternative to keeping you in your home.

When submitting a Borrower's Financial Package, it is extremely important that we receive all requested information. Our Loss Mitigation Department cannot proceed with evaluating your case if we do not have all the information required not only by us, but also by the insurer and regulatory guidelines. If an incomplete package is submitted, VHDA will contact you to request the necessary information. If this does occur, please respond promptly to all requests, as the loss mitigation process has time requirements that we are required to keep.

If you choose not to contact us, we might have no other alternative but to foreclose. You should avoid foreclosure if at all possible.

What happens if you miss mortgage payments?

Foreclosure is the legal means a lender can use to take the title of your home. If this happens, you would be required to move out of your house. In addition, if your property is worth less than the total amount you owe on your mortgage loan, VHDA, the mortgage insurer or guarantor could pursue a deficiency judgment against you. You would not only lose your home, but there also would be an additional debt you would owe. Foreclosure or a deficiency judgment could seriously affect your ability to qualify for credit in the future.

What are other alternatives?

After we have discussed the situation with you and obtained the necessary financial documentation, a VHDA Loss Mitigation Officer will review your case and contact you to discuss options. To qualify for each of the options below, you must meet certain eligibility criteria. Your options may include:

- 1. Reinstatement (Cure)** – The easiest way to cure a delinquency is to pay everything that is owed. This would include missed payments, any late fees associated with these payments and any other fees VHDA incurred as a result of your delinquency.
- 2. Repayment plan / special forbearance** – We might be able to arrange a repayment plan based upon your financial situation. The plan might even provide a temporary reduction or suspension of your payments. You might qualify for this option if you have recently

experienced an involuntary reduction in income or an increase in living expenses. To receive this plan, you must provide VHDA with information on how you can meet the requirements of a new payment plan.

3. **Pre-foreclosure sale** – This allows you to sell your property for an amount less than the total due to pay off your mortgage, avoid foreclosure and prevent damage to your credit rating.
4. **Mortgage modification** – We may be able to modify your mortgage loan. You may qualify if you have recovered from a financial hardship, but your net income is less than it was before the default.
5. **Partial claim** – We may be able to work with you to obtain an interest-free loan from HUD to bring your mortgage current.
6. **Deed-in-lieu of foreclosure** – As a last resort, you may be able to voluntarily “give back” your property to VHDA. This won’t save your house, but it will help your chances of getting another mortgage loan in the future.

If you are having financial difficulty, please don’t be afraid to contact us. We want to help you!

How do you know if you qualify for any of these alternatives?

Our mission is to keep you in your home. If you are having financial difficulty, don’t be afraid to contact us. We want to help you! Contact VHDA toll free at 888-756-8603, and ask to speak to a Loss Mitigation Officer. For the HUD-approved counseling agency nearest you, call toll free at 800-569-4287 or TDD 800-877-8339.

Maintaining Your Property

Now that you have bought your new home, you might be wondering, “What’s next?” Here is important information about maintaining your property. This general information is aimed at keeping you on the right track.

Budget for monthly expenses

Budgeting is an important part of successful homeownership. As a new homeowner, you may be paying for utilities — such as gas, electricity, trash pickup and water/sewage — for the first time. Your budget should include the necessary funds to cover these monthly expenses so you don’t experience having these services disconnected.

Budget for emergencies

Because you are not renting anymore, you will not have a landlord to call if problems arise. You are now responsible for paying for repairs to your home. It is very important to have an emergency fund set aside for any repairs or replacements that might become necessary.

Avoid the temptation to make major purchases on credit

It is too easy to accumulate more debt than one can afford. If you are borrowing money or obtaining credit, shop around for the best loan or credit terms. Better yet, save up for major purchases such as furniture or appliances. Remember, everything you buy on credit has to be paid back with interest.

Be careful to avoid charging major purchases that carry a high interest rate.

Make timely payments – To maintain a good credit rating, it is essential to make your payments when they are due. Late payments, missed payments or other defaults on your account will be reported to the credit reporting bureau. This can adversely affect your ability to obtain credit at a later date.



Beware of predatory lending – Predatory lending comes in many forms. This abusive practice occurs when a lender makes a mortgage loan to someone who does not have the income to repay it; finances the highest possible loan amount without regard to the borrower's ability to repay the amount; hides or inadequately explains fees, costs or rates being charged; imposes excessive fees or packs extras into the loan, such as credit life insurance or disability insurance; falsifies information on the loan application or inflates real estate appraisals to get the loan approved; and lends in connection with home improvement scams. After your loan has closed, you probably will receive multiple solicitations by phone and mail for debt consolidation, credit cards and second mortgages. You might consider consulting a housing counselor to discuss your options before agreeing to any of these offers. To find a counselor in your area, call 800-569-4287 or TDD 800-877-8339.

Perform regular inspections and maintenance – Routine upkeep of your home can identify and correct small problems that reduce the chance of developing bigger issues later. Don't

make the costly mistake of thinking, “Out of sight, out of mind.” As a new homeowner, you should perform the following inspections annually (or more frequently, if needed):

Basement or crawl space – Can produce moisture problems. Look for signs of stained walls or a white powder on the lower section. This could indicate moisture penetration.

Doors and windows – Check from both inside and outside. Make sure weather stripping is present and in good condition to prevent moisture build-up. Also, check your locks to ensure that they are working properly.

Floors – Take a lot of wear and tear. Proper cleaning, and placing area rugs inside every entrance, will catch water and debris, keeping your floors in better condition.



Foundation – Be aware of water penetration created by improper grading. Water penetration should be corrected to prevent damage to the foundation. It is also important to check for cracks that mean the house is settling and could allow water to penetrate.

Heating equipment – Inspect filters regularly, and change them when they are dirty. This allows your heating unit to run properly and helps reduce your heating bill.

Plumbing fixtures – To prevent a small problem from becoming a major one, check under sinks and around toilets for signs of leaking or damage from condensation.

Roof – Signs of problems could include curling, torn or missing shingles. It is best to get a professional inspection to determine the actual condition of your roof.

Siding – Metal and vinyl siding should be checked for sagging or buckling, which could be signs of water damage from leaky roofs or too much humidity inside your home. Also, caulking around windows and doors on each side of the house should be checked for peeling or cracking.

Termite inspections – Perform an annual termite inspection to catch any problems early. Termites can cause a great deal of damage to your home.

To help homeowners learn more about home maintenance and saving money on minor repairs, the Virginia Cooperative Extension offers excellent home maintenance classes, free of charge. Check the VCE office nearest you for listings.

Glossary

Acceleration clause – A clause in your mortgage that allows the lender to demand payment of the outstanding loan balance for various reasons. The most common reasons for accelerating a loan are borrower default or title transfer to another individual without the lender’s approval.

Amortization schedule – A table that shows the amount of each payment applied toward both the principal and the interest over the life of the loan. The schedule also reflects the reduction of the loan balance until it reaches zero.

Assessed value – The valuation a public tax assessor places on a property for taxation purposes.

Assumable mortgage – A mortgage that can be assumed by the buyer when a home is sold. Usually the borrower must “qualify” in order to assume the loan.

Automatic Clearing House (ACH) – A secure electronic payment transfer system connecting U.S. financial institutions. VHDA’s Automated Payment Program uses the ACH system, allowing you to make your mortgage payment each month on a designated day without having to write and send us a check.

Borrower – A person or persons using someone else’s money to purchase a home. May be used interchangeably with the terms “mortgagor” or “debtor.”

Co-borrower – An additional individual who is obligated on the loan and the title to the property.

Collection – Efforts made by the lender when loan payments fall behind.

Credit counseling – Counseling to help improve and build good credit. A credit counselor can provide credit education, confidential budget and debt counseling, debt repayment programs and financial management education.

Credit report – A file maintained by a credit reporting bureau that contains information about a person, such as where the person works and lives, what money has been borrowed and how payments have been made. The report also contains public record information, such as whether the person has filed for bankruptcy.

Deed of Trust – A recorded legal document that pledges real property in order to secure a mortgage loan.

Default – A failure to meet a payment or fulfill a credit obligation.

Delinquency – Failure to make mortgage payments when payments are due. For most mortgages, payments are due on the first day of the month. Even though the mortgage company might not charge a late fee for a number of days, the payment is still considered to be late and the loan delinquent. When a loan payment is more than 30 days late, most lenders report the late payment to one or more credit reporting bureaus.

Equity – A homeowner's financial interest in a property. Equity is the difference between the fair market value of the property and the amount still owed on its mortgage and other liens.

Escrow account – An account used to pay local real estate taxes, homeowners insurance, and if applicable, private mortgage insurance (PMI) or mortgage insurance premium, as required at the closing.

Escrow analysis – An annual analysis your lender performs to make sure the company is collecting the correct amount of money for the anticipated expenditures.

Escrow disbursements – The use of the escrow funds to pay real estate taxes, hazard insurance, mortgage insurance and other property expenses as they become due.

Eviction – The lawful removal of an occupant from real property.

Fees – The money a homeowner pays the financial institution for a service, such as a maintenance fee for the account or a “bounced check” fee for checks written on accounts that do not have enough money to cover them.

Flood insurance – Insurance that compensates for physical damage to a dwelling as a result of flooding. This type of insurance is required for properties located in federally designated flood areas.

Foreclosure – A legal action that terminates all ownership rights in a home when the homeowner fails to make the mortgage payments or is otherwise in default under the terms of the mortgage.

Home inspection – A thorough inspection by a professional that evaluates the structural and mechanical condition of a property. A satisfactory home inspection is often included as a contingency by the homebuyer.

Homeowner’s association (HOA) – A corporation that sets the rules and regulations for a community. HOA’s are funded by member dues (paid out of escrow) and often own the common elements of a development, such as a pool or park.

Homeownership education classes – Classes that provide information about the mortgage approval process, qualifying for a loan, the importance of establishing a strong credit reputation, selecting a home that is affordable over the long term, financing and closing processes, and avoiding mortgage delinquencies, defaults and foreclosures.

Homeowners insurance – An insurance policy that combines personal liability insurance and hazard insurance coverage for a dwelling and its contents.

Interest – The amount the lender charges to lend the money. It is usually expressed as a percentage of the amount borrowed.

Late payments – Loan or credit payments that do not reach the lender or creditor on or before the payment due date. Late payments on a credit report are damaging to one's credit report.

Late charge – The penalty a borrower must pay when a payment is made a stated number of days beyond the due date. On the first deed of trust, this is usually fifteen days.

Lender – The person or entity providing credit or a loan to a borrower at specific terms and conditions. This term is used interchangeably with "creditor."

Loan – A sum of borrowed money (principal) that is generally repaid with interest.

Loan servicer – The company to which payments are made to "service" your loan. This includes processing payments, sending statements, managing the escrow account, making collection efforts on delinquent loans, ensuring that insurance

and property tax payments are made on the property, handling pay-offs and assumptions, and providing a variety of other services.

Loan-to-value (LTV) – The percentage relationship between the amount of the loan and the appraised value.

Modification – Occasionally, a lender will agree to modify the terms of a mortgage without requiring the owner to refinance. If any changes are made, it is called a modification. If the loan is in default, and the borrower can afford to make regular monthly payments, a lender could offer a modification to prevent a foreclosure.

Mortgagee – The lender in a mortgage agreement.

Mortgage insurance (MI) – Insurance that covers the lender against some of the losses incurred as a result of a default on a home loan. Mortgage insurance is usually required in one form or another on all loans that have a loan-to-value ratio greater than 80 percent. Also, FHA and certain first-time homebuyer programs require mortgage insurance, regardless of the LTV.

Mortgagor – The borrower in a mortgage agreement.

Note – A legal document that obligates a borrower to repay a mortgage loan at a stated interest rate during a specified time period.

Note rate – The interest rate stated on the mortgage note.

Notice of default – A formal written notice to a borrower that a default has occurred and that legal action might be taken.

Original principal balance – The total amount of principal owed on a mortgage before any payments are made.

Optional insurance – Financial protection specially designed to pay one’s mortgage if something unexpected happens. This insurance pays the principal balance in the case of death or loss of employment. Contact VHDA’s Customer Service Department toll free at 800-235-6938 to obtain this insurance.

Partial payment – A payment that is not sufficient to cover the scheduled monthly payment on a mortgage loan. Normally a lender will not accept a partial payment without prior arrangements. However, in times of hardship homeowners can request this of the loan servicing collection or loss mitigation department.

PITI – An acronym that stands for principal, interest, taxes and insurance.

Prepayment – Any amount paid to reduce the principal balance of a loan before the due date. Prepayment in full occurs when a property is sold, the owner decides to pay off the loan in full or a foreclosure occurs. In each case, prepayment means payment occurs before the loan has been fully amortized.

Prepayment penalty – A fee that may be charged to a borrower who pays off a loan before it is due.

Predatory lending – Abusive lending practices that include making a mortgage loan to an individual who does not have the income to repay; financing the highest possible loan amount without regard to the payment ability of the borrower; hiding or not explaining fees, costs or rates

being charged; imposing excessive fees or packing extras into the loan such as credit life insurance or disability insurance; falsifying information on the loan application; inflating real estate appraisals to get the loan approved; and lending in connection with home improvement scams.

Principal – The amount borrowed or remaining unpaid. The part of the monthly payment that reduces the remaining balance of a mortgage.

Title – A legal document that proves a person's right to or ownership of a property.



Helpful Resources

Miss Utility – Call toll-free at 800-552-7001 before you dig or excavate on your property. Miss Utility of Virginia will notify participating utility companies about your planned work, and mark any underground line to prevent injuries and accidents.

United States Post Office – Contact your local post office or visit usps.com to make sure mail reaches your new home. Forwarded mail can take up to two weeks to arrive at your new address.

Voter registration – If you've moved to a new neighborhood, you can find your new polling place by contacting the local voter registration office or visiting the Virginia State Board of Election's website at sbe.virginia.gov.

DMV – Residents who are new to the state must title their vehicles within 30 days of the move. For more information, contact your local Department of Motor Vehicles at dmv.state.va.us

Contact Information

Customer Service Department	800-235-6938
Payment by Phone	800-235-6938
Collections Department	888-756-8603
Loss Mitigation Officers	800-235-6938
Housing Counseling Agency	800-569-4287 TDD 800-877-8339
Website	vhda.com

Legal Disclaimer

This publication is designed to provide accurate and helpful information in regard to the subject matter covered. However, due to the breadth of the subject matter covered, the publication must be used with the understanding that the material contained is presented in a summary format and may not address in detail every circumstance that may arise and that there may be applicable rules and other considerations that are outside the scope of this publication and are not addressed herein.

Because of the rapidly changing nature of the subject matter covered, information contained in this resource may become outdated and the user must always seek any updated information to ensure accuracy.

In publishing this resource, VHDA is not engaged in rendering legal, accounting or other professional advice, and the information herein should not be relied upon as such. If legal advice or other expert assistance is required, a competent professional should be engaged directly. Nothing contained in this resource supersedes, amends or in any way waives or modifies the terms of VHDA's rules and regulations, policies and procedures or loan documents and disclosures.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY



- **Virginia Housing Development Authority – Headquarters**
601 South Belvidere Street, Richmond, VA 23220
- **Southwest Virginia Housing Center**
105 East Main Street, Wytheville, VA 24382
- **Virginia Housing Center**
4224 Cox Road, Glen Allen, VA 23060

VHDA Main Number	877-VHDA-123
------------------	--------------

Southwest Virginia Housing Center	800-447-5145
-----------------------------------	--------------

Español	877-843-2123
---------	--------------



711 (in Virginia)
800-828-1140

VHDA Website	vhda.com
--------------	----------

VHDA is a self-supporting, not-for-profit organization created by the Commonwealth of Virginia in 1972, to help Virginians attain quality, affordable housing. VHDA provides mortgages, primarily for first-time homebuyers and developers of quality rental housing. We use no state taxpayer dollars, but raise money in the capital markets to fund our loans. We also teach free homeownership classes, and help people with disabilities and the elderly make their homes more livable. VHDA works with lenders, developers, local governments, community service organizations and others to help put quality housing within the reach of every Virginian.



The Virginia Housing Development Authority (VHDA) does not discriminate on the basis of race, color, religion, sex, age, national origin, familial status or disability.

The information contained herein (including but not limited to any description of VHDA and its lending programs and products, eligibility criteria, interest rates, fees and all other loan terms) is subject to change without notice.



Mixed Sources
Cert no. SW-COC-000000 © 1996 FSC