

Chapter 9. Glossary

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Chapter 9. Glossary

1. Glossary of Handbook Terms

Change Date May 10, 2009

4155.1 9.1.a The table below contains definitions of terms used in this handbook.
Definitions of
Handbook
Terms

Term	Definition
Adjusted interest rate	The <i>adjusted interest rate</i> is the new interest rate effective for the 12-month period following each Change Date. The Adjusted Interest Rate becomes the Existing Interest Rate on the next Change Date.
Calculated interest rate	The <i>calculated interest rate</i> is the Current Index, plus the Margin, rounded to the nearest one-eighth of one percentage point (0.125%). The Calculated Interest Rate is used to determine the Adjusted Interest Rate.
Change date	The <i>change date</i> is the effective date of an adjustment to the interest rate, referred to as the Interest Rate Adjustment Date by Ginnie Mae. The date is specified in Paragraph 5(A) of the ARM Note, and is not the date for which the monthly payments change.
Current index	The <i>current index</i> is the most recently available Index published 30 calendar days before the Change Date.
Existing interest rate	The <i>existing interest rate</i> is the interest rate effective immediately prior to any adjustment on the pending Change Date.

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1. Glossary of Handbook Terms, Continued

4155.1 9.1.a Definitions of Handbook Terms (continued)

Term	Definition
Family member	<p>A <i>family member</i> is defined as a borrower's</p> <ul style="list-style-type: none"> • child, parent, or grandparent • spouse • legally adopted sons or daughters • child who is placed with the borrower by an authorized agency for legal adoption, and • foster children. <p><i>Note:</i> A child is defined as a son, stepson, daughter, or stepdaughter.</p>
Federal debt	<p><i>Federal debt</i> is defined as</p> <ul style="list-style-type: none"> • a VA-guaranteed mortgage • a Title I loan • a Federal student loan • a Small Business Administration Loan • a delinquent Federal taxes, or • having a lien, including taxes, placed against the borrower's property for a debt owed to the U.S.
Identity-of-interest transaction	<p>An <i>identity-of-interest transaction</i> is a sales transaction between parties with a family, business relationship, or other business affiliates, for the purchase of a principal residence.</p> <p><i>Note:</i> An identify-of-interest transaction does <i>not</i> include an employer/employee transaction when purchasing the seller's principal residence.</p>
Index	<p><i>Index</i> is the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year, published in the Federal Reserve Bulletin H.15.</p>

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1. Glossary of Handbook Terms, Continued

4155.1 9.1.a Definitions of Handbook Terms (continued)

Term	Definition
Initial interest rate	<p>The <i>Initial Interest Rate</i> is the rate stated in the ARM Note that will be in effect from the date of the first monthly payment for the ARM.</p> <p><i>Reference:</i> For information on the frequency of interest rate changes, see HUD 4155.1 6.B.4.e.</p>
Margin	<p><i>Margin</i> is the agreed upon number of percentage points added to the Current Index for determining the Calculated Interest Rate.</p> <p>The number</p> <ul style="list-style-type: none"> • is specified in Paragraph 5(C) of the ARM Note, and • remains constant for the life of the mortgage.
Non-occupying borrower transaction	<p>A <i>non-occupying borrower transaction</i> is a transaction involving two or more borrowers where one or more borrower will <i>not</i> occupy the property as the principal residence.</p>
Self-employed borrower	<p>For FHA mortgage loan underwriting purposes, a <i>self-employed borrower</i> is a borrower with a 25 percent or greater ownership interest, in a business.</p>
Third party contribution	<p>A <i>third party contribution</i> is a payment by an interested third party, or a combination of parties, toward the buyer's</p> <ul style="list-style-type: none"> • closing costs, per ML 06-04 • prepaid expenses • discount points, and • other financing concessions. <p><i>Note:</i> Interested parties include</p> <ul style="list-style-type: none"> • real estate agents • builders, and • developers.