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MONEY BACK GUARANTEE

12/29/09 - Glossary - Definitions

Adversary Proceeding ? a separate lawsuit in the bankruptcy court, that is related to your bankruptcy. Could be a creditor or the trustee suing you, or the trustee suing a creditor or someone else, or you suing to have a student loan discharged, for instance.

A.R.M. Adjustable Rate Mortgage ? as opposed to the old fashioned fixed rate, which was, one interest rate for the term, or length of time of, the mortgage. Adjustable means, the rate changes. How often? As often as it says in those papers you signed, every quarter (three months) twice a year, every year, every two years, whatever. This means, your payment changes that often, and, can and does go up or down with interest rates. Your ARM rate is usually some underlying number, like LIBOR, plus something, like 2.5%. LIBOR? That stands for London Inter-Bank Overnight Rate, the rate banks charge each other for borrowing money. Per its name, changes every day.

Amortize ? Fancy accountant word, for application of payments to principal and interest over the course of a mortgage. So, a mortgage amortized for 30 years means, if you make all the payments on time for 30 years, at the end, you have paid off the mortgage.

Negative Amortization ? You may have a teaser rate on your ARM mortgage, so that the payment does not even cover all the interest due, which means your mortgage balance is getting bigger, not getting paid off.

First Mortgage ? the first lien on your house, the one that gets paid first if the house is sold. If you have more than one mortgage, which one is first is a matter of state law, whether the mortgage was recorded in the proper government office usually determines if it is the first mortgage, not which one you signed first. And, in most states, property taxes, unpaid water bills, and other government assessments, are actually the first lien,

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in that they trump any mortgage, and must be paid first.

Loan modification ? when the terms of a loan are changed by agreement with the mortgage company. So, the interest rate is changed, or the length of the mortgage changed, or the payment lowered, any of these would be mortgage modifications. Currently, no way to force one on a mortgage company for the first mortgage on a principal residence.

Second Mortgage ? The mortgage entitled to payment after the first mortgage.

home underwater ? This just means, the value of your home, what a willing buyer would pay you for it, is less than what you owe on your mortgage, or mortgages. So, if you sold your home, you would not get enough money to pay the mortgages owed on it

Foreclosure ? How the mortgage company takes your house back, gets it into its name and out of yours. Determined by state law, might require a suit in a state court, or by publication. Michigan allows both methods.

Mortgage ? debt secured by real estate. There can be more than one, any number, on one house. Anyone who has an ownership interest in the house has to sign to pledge the house as collateral for a mortgage debt, but, the mortgage debt is owed by whoever signs the mortgage note, the promise to pay the money back. For example, you and your spouse own a house. You both have to sign for the house to be security, or collateral, for the debt, but the note might be signed by only one of you.

Mortgage servicer ? this is who gets your payments. You send them your money, although they do not have to actually be the one who lent the money to you, or who owns the mortgage, or, well, anything. They are not hired by you, of course, but, by your mortgage company. The servicer is responsible for keeping track of payments, escrow accounts,

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calculating interest, principal and so on. Some servicers actually outsource some of these duties, they hire some other company to do the property taxes. Servicers are frequently responsible for collection actions, like foreclosing.

Reaffirm ? Only applies in Chapter 7, this is the only way you an agreement you sign (that is not a consent judgment) to pay a pre-petition debt (one from BEFORE you filed bankruptcy) can be enforceable against you. Basically, the Chapter 7 discharge wipes out all your personal liability on all your debts, contracts, leases, whatever. The reaffirmation process is spelled out in the bankruptcy code, you sign, the creditor has to sign, and you still have 60 days to change your mind, for any reason or no reason, and back out. Now, a secured creditor may be able to take back their collateral, like the car on a car loan, if you do not reaffirm.

Secured creditor ? Creditor, that is, someone you owe money to, or who claims you owe them money, who has security, or collateral, for the debt. Most often, car or truck financed by GMAC or whoever, so GMAC will be on the vehicle title as the secured party. Or, mortgage, which is a debt secured by real estate, like your home.

Unsecured creditor - Creditor, that is, someone you owe money to, or who claims you owe them money, but has no security or collateral, nothing you pledged to guarantee you would pay the debt.

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