

# Consumer Financial Protection Bureau GLOSSARY



## IMPORTANT TERMS TO KNOW

**ALTA** - American Land Title Association, a national association of title insurance companies, abstractors and attorneys specializing in real property law. Its headquarters are in Washington, D.C.

**Best Practices:** Commercial or professional procedures that are accepted or prescribed as being correct or most effective.

**Closing** - Also known as "consummation" "escrow" or "settlement." The process of executing legally binding documents, such as deeds and mortgages most commonly associated with the purchase of real estate and the borrowing of money to assist in the purchase.

**Closing Disclosure:** The Final Truth-in-Lending disclosure and the HUD-1 Statement combined into one integrated form. See HUD-1 and TIL

**Consumer Financial Protection Bureau:** A governmental agency that acts as the watchdog and law enforcer of the consumer financial market. They supervise companies and enforce financial regulations, restrict unfair or deceptive practices, and investigate consumer complaints. They also research and study consumer financial behavior.

**Debt-to-income ratio: (DTI)** is the relationship, stated as a percentage, between what you owe and what you earn, generally calculated by dividing your monthly debt payments by your gross monthly income.

**Dodd-Frank Wall Street Reform and Consumer Protection Act:** Commonly referred to as Dodd-Frank was signed into federal law by President Barack Obama on July 21, 2010 in an attempt to prevent the recurrence of events that caused the 2008 financial crisis.

**Escrow agent:** a disinterested third party who handles legal documents and funds on behalf of a seller and buyer, and delivers them upon performance by the parties while parties negotiate the final terms of a contract.

**Estate** - A person's possessions. The extent of a person's interest in real property.

**Good Faith Estimate:** Is a written summary provided by your mortgage lender. It shows the amount you can expect to pay at your real estate closing to cover all the fees and expenses that are part of arranging your mortgage loan.

**HUD-1 Settlement Statement:** Required by the U.S. Department of Housing and Urban Development (HUD) where federally related mortgages are being made on residential properties. It is a balance sheet showing the source of funds and the distribution of funds in connection with the purchase and/or mortgaging of residential property.

**Integrated Mortgage Disclosures:** The Dodd-Frank Act required the CFPB to combine or integrate existing mortgage disclosure forms to improve compliance and help people understand their loans

**Lender's Policy** - A form of title insurance policy, which insures the validity, enforceability and priority of a lender's lien. This form does not provide protection for the owner.

**Loan Estimate:** The Good Faith Estimate and Truth in Lending disclosures combined into one integrated form. See Good Faith Estimate and Truth in Lending

**Owner's Policy** - A policy of title insurance, which insures an owner's interest and possession in real property. This form does not provide protection for a lender.

**Power of Attorney** - An instrument authorizing another to act on one's behalf as his or her agent or attorney.

**Promissory Note** - A written promise to pay or repay a specified sum of money at a stated time, or on demand, to a named person. In addition to the payment of principal, a promissory note usually provides for the payment of interest.

**Qualified Mortgage:** a category of loans that have certain, more stable features that help make it more likely that you'll be able to afford your loan. A lender must make a good-faith effort to determine that you have the ability to repay your mortgage before you take it out.

**Real Estate Settlement Procedures Act - RESPA:** first passed in 1974, this act was designed to protect potential homeowners and enable them to become more intelligent consumers.

**Subprime loan:** loans made to borrowers who would not ordinarily qualify for credit if customary underwriting standards were applied.

**Title insurance:** is a form of indemnity insurance which insures against financial loss from defects in title to real property and from the invalidity or unenforceability of mortgage loans.

**TLTA:** Founded in 1908, a statewide trade association representing the Texas title insurance industry. TLTA provides a comprehensive program of regulatory and legislative advocacy on the state and federal level, a full line-up of educational programming, including a professional certification program.

**Tolerance/Variance:** The figures provided in a GFE are divided into three categories, each of which has a different tolerance level. A tolerance level indicates how much the GFE estimated charges can increase at closing.

**Truth-in-Lending Act: TILA** A federal law enacted in 1968 with the intention of protecting consumers in their dealings with lenders and creditors.