



## Compliments of:

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## Real Estate Dictionary

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Please use this as a reference tool for common definitions of these real estate terms. If you have any further questions please contact Lakeshore Title and one of our staff will be able to assist you.

**Abstract of Title** A condensed history or summary of all transactions affecting a particular tract of land.

**Acceleration Clause** A clause in your mortgage which allows the lender to demand payment of the outstanding loan balance for various reasons. The most common reasons for accelerating a loan are if the borrower defaults on the loan or transfers title to another individual without informing the lender.

**Acre** 1 Acre equals 4,840 square yards or 0.405 hectare

**Adjustable-Rate Mortgage (ARM)** A mortgage in which the interest changes periodically, according to corresponding fluctuations in an index.

**Adjustment Date** The date the interest rate changes on an adjustable-rate mortgage.

**Administrator** A person appointed by a court to take charge of the estate of a decedent, but not appointed in the decedent's will.

**Air Rights** A property right to the space above a surface area or object

**Amortization** The loan payment consists of a portion which will be applied to pay the accruing interest on a loan, with the remainder being applied to the principal. Over time, the interest

portion decreases as the loan balance decreases, and the amount applied to principal increases so that the loan is paid off (amortized) in the specified time.

**Amortization Schedule** A table which shows how much of each payment will be applied toward principal and how much toward interest over the life of the loan. It also shows the gradual decrease of the loan balance until it reaches zero.

**Annual Percentage Rate (APR)** This is not the note rate on the loan. It is a value created according to a government formula intended to reflect the true annual cost of borrowing, expressed as a percentage.

**Application** The form used to apply for a mortgage loan, containing information about a borrower's income, savings, assets, debts, and more.

**Appraisal** A written justification of the price paid for a property, primarily based on an analysis of comparable sales of similar homes nearby.

**Appraised Value** An opinion of a property's fair market value, based on an appraiser's knowledge, experience, and analysis of the property. Since an appraisal is based primarily on comparable sales, and the most recent sale is the one on the property in question, the appraisal usually comes out at the purchase price.

**Appraiser** An individual qualified by education, training, and experience to estimate the value of real property and personal property. Although some appraisers work directly for mortgage lenders, most are independent.

**Appreciation** The increase in the value of a property due to changes in market conditions, inflation, or other causes.

**Assessed Value** The valuation placed on property by a public tax assessor for purposes of taxation.

**Assessment** The placing of a value on property for the purpose of taxation.

**Assessor** A public official who establishes the value of a property for taxation purposes.

**Asset** Items of value owned by an individual. Assets that can be quickly converted into cash are considered "liquid assets." These include bank accounts, stocks, bonds, mutual funds, and so on. Other assets include real estate, personal property, and debts owed to an individual by others.

**Assignment** When ownership of your mortgage is transferred from one company or individual to another, it is called an assignment.

**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.

**Assumption** The term applied when a buyer assumes the seller's mortgage.

**Balloon Mortgage** A mortgage loan that requires the remaining principal balance be paid at a specific point in time.

**Balloon Payment** The final lump sum payment that is due at the termination of a balloon mortgage.

**Bankruptcy** By filing in federal bankruptcy court, an individual or individuals can restructure or relieve themselves of debts and liabilities. Bankruptcies are of various types, but the most common for an individual seem to be a "Chapter 7 No Asset" bankruptcy which relieves the borrower of most types of debts.

**Bill Of Sale** A written document that transfers title to personal property.

**Biweekly Mortgage** A mortgage in which you make payments every two weeks instead of once a month.

**Bridge Loan** Not used much anymore, bridge loans are obtained by those who have not yet sold their previous property, but must close on a purchase property. The bridge loan becomes the source of their funds for the down payment.

**Buydown** Usually refers to a fixed rate mortgage where the interest rate is "bought down" for a temporary period, usually one to three years. After that time and for the remainder of the term, the borrower's payment is calculated at the note rate. In order to buy down the initial rate for the temporary payment, a lump sum is paid and held in an account used to supplement the borrower's monthly payment.

**Call Option** Similar to the acceleration clause.

**Cap** Adjustable Rate Mortgages have fluctuating interest rates, but those fluctuations are usually limited to a certain amount. Those limitations may apply to how much the loan may adjust over a six month period, an annual period, and over the life of the loan, and are referred to as "caps."

**Cash-Out Refinance** When a borrower refinances his mortgage at a higher amount than the current loan balance with the intention of pulling out money for personal use, it is referred to as a "cash out refinance."

**Certificate of Eligibility** A document issued by the Veterans Administration that certifies a veteran's eligibility for a VA loan.

**Certificate of Reasonable Value (CRV)** Once the appraisal has been performed on a property being bought with a VA loan, the Veterans Administration issues a CRV.

**Chain Of Title** An analysis of the transfers of title to a piece of property over the years.

**Clear Title** A title that is free of liens or legal questions as to ownership of the property.

**Cloud On Title** Any conditions revealed by a title search that adversely affect the title to real estate.

**Collateral** In a home loan, the property is the collateral. The borrower risks losing the property if the loan is not repaid according to the terms of the mortgage or deed of trust.

**Commitment** The instrument provided by the title agency as the "binding" instrument to insure the loan and/or the new owner of the property, upon compliance with and satisfaction of requirements set forth on the commitment.

**Common Area Assessments** Charges paid to the Homeowners Association by the owners of the individual units in a condominium or planned unit development (PUD) and are generally used to maintain the property and common areas.

**Common Areas** Those portions of a building, land, and amenities owned (or managed) by a planned unit development (PUD) or condominium project's homeowners' association (or a cooperative project's cooperative corporation) that are used by all of the unit owners, who share in the common expenses of their operation and maintenance. Common areas include swimming pools, tennis courts, and other recreational facilities, as well as common corridors of buildings, parking areas, means of ingress and egress, etc.

**Community Property** Property acquired by a married couple during their marriage is considered to be owned jointly, except under special circumstances.

**Comparable Sales** Recent sales of similar properties in nearby areas and used to help determine the market value of a property. Also referred to as "comps."

**Condominium** A type of ownership in real property where all of the owners own the property, common areas and buildings together, with the exception of the interior of the unit to which they have title.

**Condominium Conversion** Changing the ownership of an existing building (usually a rental project) to the condominium form of ownership.

**Construction Loan** A short-term, interim loan for financing the cost of construction. The lender makes payments to the builder at periodic intervals as the work progresses.

**Contingency** A condition that must be met before a contract is legally binding.

**Contract** An oral or written agreement to do or not to do a certain thing.

**Contract for Deed** An agreement to sell and purchase under which title is held as security by the seller until such time as the required payments to the seller have been completed.

**Conventional Mortgage** Refers to home loans other than government loans (VA and FHA).

**Convey** The act of deeding or transferring title to another.

**Convertible Arm** An adjustable-rate mortgage that allows the borrower to change the ARM to a fixed-rate mortgage within a specific time.

**Cooperative (Co-Op)** A type of multiple ownership in which the residents of a multiunit housing complex own shares in the cooperative corporation that owns the property, giving each resident the right to occupy a specific apartment or unit.

**Covenant** An agreement written into deeds and other instruments promising performance or non-performance of certain acts, or stipulating certain uses or non-uses of the property.

**Credit Report** A report of an individual's credit history prepared by a credit bureau and used by a lender in determining a loan applicant's creditworthiness.

**Deed** The legal document conveying title to a property.

**Deed-In-Lieu** Short for "deed in lieu of foreclosure," this conveys title to the lender when the borrower is in default and wants to avoid foreclosure

**Default** Failure to make the mortgage payment within a specified period of time. For first mortgages or first trust deeds, if a payment has still not been made within 30 days of the due date, the loan is considered to be in default.

**Delinquency** Failure to make mortgage payments when mortgage payments are due.

**Delivery** The final and absolute transfer of a deed from seller to buyer in such a manner that it cannot be recalled by the seller. A necessary requisite to the transfer of title.

**Deposit** A sum of money given in advance of a larger amount being expected in the future. Often called in real estate as an "earnest money deposit."

**Depreciation** A decline in the value of property.

**Devise** The disposition of real property by will.

**Due-On-Sale Provision** A provision in a mortgage that allows the lender to demand repayment in full if the borrower sells the property that serves as security for the mortgage.

**Easement** A right of way giving persons other than the owner access to or over a property.

**Effective Age** An appraiser's estimate of the physical condition of a building. The actual age of a building may be shorter or longer than its effective age.

**Egress** The right to leave a tract of land. Often used interchangeably with access.

**Eminent Domain** The right of a government to take private property for public use upon payment of its fair market value.

**Encroachment** An improvement that intrudes illegally on another's property.

**Encumbrance** Anything that affects or limits the fee simple title to a property, such as mortgages, leases, easements, or restrictions.

**Equal Credit Opportunity Act (ECOA)** A federal law that requires lenders and other creditors to make credit equally available without discrimination based on race, color, religion, national origin, age, sex, marital status, or receipt of income from public assistance programs.

**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.

**Estate** The ownership interest of an individual in real property. The sum total of all the real property and personal property owned by an individual at time of death.

**Eviction** The lawful expulsion of an occupant from real property.

**Examination of Title** The report on the title of a property from the public records or an abstract of the title.

**Exception** This term is often used to mean an objection to title or encumbrance on title.

**Exclusive Listing** A written contract that gives a licensed real estate agent the exclusive right to sell a property for a specified time.

**Executor** A person named in a will to administer an estate. The court will appoint an administrator if no executor is named.

**Fair Credit Reporting Act** A consumer protection law that regulates the disclosure of consumer credit reports by consumer/credit reporting agencies and establishes procedures for correcting mistakes on one's credit record.

**Fair Market Value** The highest price that a buyer, willing but not compelled to buy, would pay, and the lowest a seller, willing but not compelled to sell, would accept.

**Fannie Mae (FNMA)** The Federal National Mortgage Association, which is a congressionally chartered, shareholder-owned company that is the nation's largest supplier of home mortgage funds.

**Federal Housing Administration (FHA)** An agency of the U.S. Department of Housing and Urban Development (HUD). Its main activity is the insuring of residential mortgage loans made by private lenders. The FHA sets standards for construction and underwriting but does not lend money or plan or construct housing.

**Fee Simple** The greatest possible interest a person can have in real estate.

**Fee Simple Estate** An unconditional, unlimited estate of inheritance that represents the greatest estate and most extensive interest in land that can be enjoyed. It is of perpetual duration.

**FHA mortgage** A mortgage that is insured by the Federal Housing Administration (FHA). Along with VA loans, an FHA loan will often be referred to as a government loan.

**Fixture** Personal property that becomes real property when attached in a permanent manner to real estate.

**Foreclosure** The legal process by which a borrower in default under a mortgage is deprived of his or her interest in the mortgaged property. This usually involves a forced sale of the property at public auction with the proceeds of the sale being applied to the mortgage debt.

**Forfeiture of Title** Provision in a deed creating a condition which will cause title to be passed to another should certain circumstances occur.

**Government Loan (mortgage)** A mortgage that is insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA) or the Rural Housing Service (RHS). Mortgages that are not government loans are classified as conventional loans.

**Government National Mortgage Association (Ginnie Mae)** A government-owned corporation within the U.S. Department of Housing and Urban Development (HUD). Created by Congress on September 1, 1968, GNMA performs the same role as Fannie Mae and Freddie Mac in providing

funds to lenders for making home loans. The difference is that Ginnie Mae provides funds for government loans (FHA and VA).

**Grantee** The person to whom an interest in real property is conveyed. **Grantor** The person conveying an interest in real property.

**Heir** One who might inherit or succeed to an interest in land of an individual who dies without leaving a will (intestate).

**Home Equity Line Of Credit** A mortgage loan, usually in second position, which allows the borrower to obtain cash drawn against the equity of his home, up to a predetermined amount.

**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 purchaser.

**Homeowners' Association** A nonprofit association that manages the common areas of a planned unit development (PUD) or condominium project. In a condominium project, it has no ownership interest in the common elements. In a PUD project, it holds title to the common elements.

**Homeowner's Warranty** A type of insurance often purchased by homebuyers that will cover repairs to certain items, such as heating or air conditioning, should they break down within the coverage period. The buyer often requests the seller to pay for this coverage as a condition of the sale, but either party can pay.

**HUD-1 settlement statement** A document that provides an itemized listing of the funds that were paid at closing. Items that appear on the statement include real estate commissions, loan fees, points, and initial escrow (impound) amounts. The HUD1 statement is also known as the "closing statement" or "settlement sheet."

**Indemnify** To make payment for a loss or to hold another harmless from loss.

**Ingress** The right to enter a tract of land. Often used interchangeably with "access."

**Intestate** Designates the estate or condition of failing to leave a will at death. "to die intestate."

**Joint Tenancy** A form of ownership or taking title to property which means each party owns the whole property and that ownership is not separate. In the event of the death of one party, the survivor owns the property in its entirety.

**Judgment** A decision made by a court of law. In judgments that require the repayment of a debt, the court may place a lien against the debtor's real property as collateral for the judgment's creditor.



**Judicial Foreclosure** A type of foreclosure proceeding used in some states that is handled as a civil lawsuit and conducted entirely under the auspices of a court. Other states use non-judicial foreclosure.

**Jumbo Loan** A loan that exceeds Fannie Mae's and Freddie Mac's loan limits. Also called a nonconforming loan. Freddie Mac and Fannie Mae loans are referred to as conforming loans.

**Late Charge** The penalty a borrower must pay when a payment is made a stated number of days. On a first trust deed or mortgage, this is usually fifteen days.

**Lease** A written agreement between the property owner and a tenant that stipulates the payment and conditions under which the tenant may possess the real estate for a specified period of time.

**Leasehold Estate** A way of holding title to a property wherein the mortgagor does not actually own the property but rather has a recorded long-term lease on it.

**Lease Option** An alternative financing option that allows home buyers to lease a home with an option to buy. Each month's rent payment may consist of not only the rent, but an additional amount which can be applied toward the down payment on an already specified price.

**Legal Description** A property description, recognized by law, that is sufficient to locate and identify the property without oral testimony.."

**Lenders 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.

**Liabilities** A person's financial obligations. Liabilities include long-term and short-term debt, as well as any other amounts that are owed to others.

**Liability Insurance** Insurance coverage that offers protection against claims alleging that a property owner's negligence or inappropriate action resulted in bodily injury or property damage to another party. It is usually part of a homeowner's insurance policy.

**Lien** A legal claim against a property that must be paid off when the property is sold. A mortgage or first trust deed is considered a lien.

**Lis Pendens** A notice recorded in the official records of a county to indicate that a suit is pending affecting the land where the notice is recorded.

**Loan Origination** How a lender refers to the process of obtaining new loans.

**Loan-To-Value (LTV)** The percentage relationship between the amount of the loan and the appraised value or sales price (whichever is lower).

**Lock-In** An agreement in which the lender guarantees a specified interest rate for a certain amount of time at a certain cost.

**Lock-In Period** The time period during which the lender has guaranteed an interest rate to a borrower.

**Margin** The difference between the interest rate and the index on an adjustable rate mortgage. The margin remains stable over the life of the loan. It is the index which moves up and down.

**Maturity** The date on which the principal balance of a loan, bond, or other financial instrument becomes due and payable.

**Mechanic's Lien** A lien allowed by statute to contractors, laborers and material suppliers on buildings or other structures upon which work has been performed or materials supplied.

**Modification** Occasionally, a lender will agree to modify the terms of your mortgage without requiring you to refinance. If any changes are made, it is called a modification.

**Mortgage** A legal document that pledges a property to the lender as security for payment of a debt.

**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 Premium (MIP)** The amount paid by a mortgagor for mortgage insurance, either to a government agency such as the Federal Housing Administration (FHA) or to a private mortgage insurance (MI) company.

**Multi-Dwelling Units** Properties that provide separate housing units for more than one family, although they secure only a single mortgage.

**Negative Amortization** This occurs when the loan payment for any period is less than the interest charged over that period so that the outstanding balance of the loan increases. As an amortization method the shorted amount (difference between interest and repayment) is then added to the total amount owed to the lender

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

**Note Rate** The interest rate stated on a mortgage note.

**Notice Of Default** A formal written notice to a borrower that a default has occurred and that legal action may be taken.

**Origination Fee** On a government loan the loan origination fee is one percent of the loan amount, but additional points may be charged which are called "discount points." One point equals one percent of the loan amount. On a conventional loan, the loan origination fee refers to the total number of points a borrower pays.

**Owner Financing** A property purchase transaction in which the property seller provides all or part of the financing.

**Owner's Policy** A policy of title insurance which insures a named owner against loss by reason of defects, liens and encumbrances not excepted to in the policy or unmarketability of the title. The company also agrees to defend covered claims made against the title.

**Partial Payment** A payment that is not sufficient to cover the scheduled monthly payment on a mortgage loan.

**Periodic Payment Cap** Where the interest rate and the minimum payment amount fluctuate independently of one another, this is a limit on the amount that payments can increase or decrease during any one adjustment period.

**Periodic Rate Cap** A limit on the amount that the interest rate can increase or decrease during any one adjustment period, regardless of how high or low the index might be.

**Personal Property** Any property that is not real property.

**PITI** This stands for principal, interest, taxes and insurance. If you have an "impounded" loan, then your monthly payment to the lender includes all of these and probably includes mortgage insurance as well. If you do not have an impounded account, then the lender still calculates this amount and uses it as part of determining your debt-to-income ratio.

**PITI Reserves** A cash amount that a borrower must have on hand after making a down payment and paying all closing costs for the purchase of a home. The principal, interest, taxes, and insurance (PITI) reserves must equal the amount that the borrower would have to pay for PITI for a predefined number of months.

**Planned Unit Development (PUD)** A type of ownership where individuals actually own the building or unit they live in, but common areas are owned jointly with the other members of the development or association. Contrast with condominium, where an individual actually owns the airspace of his unit, but the buildings and common areas are owned jointly with the others in the development or association.

**Point** A point is 1 percent of the amount of the mortgage.

**Power Of Attorney** A legal document that authorizes another person to act on one's behalf. A power of attorney can grant complete authority or can be limited to certain acts and/or certain periods of time.

**Prepayment** Any amount paid to reduce the principal balance of a loan before the due date.

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

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

**Principal Balance** The outstanding balance of principal on a mortgage. The principal balance does not include interest or any other charges. See remaining balance.

**Private Mortgage Insurance (PMI)** Mortgage insurance that is provided by a private mortgage insurance company to protect lenders against loss if a borrower defaults. Most lenders generally require MI for a loan with a loan-to-value (LTV) percentage in excess of 80 percent.

**Promissory Note** A written promise to repay a specified amount over a specified period of time.

**Public Auction** A meeting in an announced public location to sell property to repay a mortgage that is in default.

**Purchase Agreement** A written contract signed by the buyer and seller stating the terms and conditions under which a property will be sold.

**Quitclaim Deed** A deed that transfers without warranty whatever interest or title a grantor may have at the time the conveyance is made.

**Quite Title** An action in a proper Court to remove record defects or possible claims of other parties name in the action.

**Real Property** Land and appurtenances, including anything of a permanent nature such as structures, trees, minerals, and the interest, benefits, and inherent rights thereof.

**Recording** The noting in the registrar's office of the details of a properly executed legal document, such as a deed, a mortgage note, a satisfaction of mortgage, or an extension of mortgage, thereby making it a part of the public record.

**Refinance Transaction** The process of paying off one loan with the proceeds from a new loan using the same property as security.

**Remaining Balance** The amount of principal that has not yet been repaid. See principal balance.

**Repayment Plan** An arrangement made to repay delinquent installments or advances.

**Reverse Mortgage** A mortgage for which the borrower pledges home equity in return for regular (Monthly) payments, rather than a lump sum distribution of loan proceeds. Repayment is usually not required until the home is sold or borrower's estate is settled, provided the borrower continues to live in the home and keeps current all taxes and insurance

**Revolving Debt** A credit arrangement, such as a credit card, that allows a customer to borrow against a preapproved line of credit when purchasing goods and services. The borrower is billed for the amount that is actually borrowed plus any interest due.

**Right Of First Refusal** A provision in an agreement that requires the owner of a property to give another party the first opportunity to purchase or lease the property before he or she offers it for sale or lease to others.

**Right Of Ingress Or Egress** The right to enter or leave designated premises.

**Right Of Survivorship** In joint tenancy, the right of survivors to acquire the interest of a deceased joint tenant.

**Riparian** Rights to use water and waterways in adjoining lakes or rivers.

**Sale-Leaseback** A technique in which a seller deeds property to a buyer for a consideration, and the buyer simultaneously leases the property back to the seller.

**Second Mortgage** A mortgage that has a lien position subordinate to the first mortgage.

**Secured Loan** A loan that is backed by collateral.

**Security** The property that will be pledged as collateral for a loan.

**Servicer** An organization that collects principal and interest payments from borrowers and manages borrowers' escrow accounts. The servicer often services mortgages that have been purchased by an investor in the secondary mortgage market.

**Servicing** The collection of mortgage payments from borrowers and related responsibilities of a loan servicer.

**Set Back Lines** Those lines which delineate the required distances for the location of structures in relation to the perimeter of property.

**Subdivision** A housing development that is created by dividing a tract of land into individual lots for sale or lease.

**Subordinate Financing** Any mortgage or other lien that has a priority that is lower than that of the first mortgage.

**Survey** A drawing or map showing the precise legal boundaries of a property, the location of improvements, easements, rights of way, encroachments, and other physical features.

**Tenancy by the Entirety** Ownership by married person where each owns the entire estate, with the survivor taking the whole upon the other's death.

**Tenancy In Common** As opposed to joint tenancy, when there are two or more individuals on title to a piece of property, this type of ownership does not pass ownership to the others in the event of death.

**Third-Party Origination** A process by which a lender uses another party to completely or partially originate, process, underwrite, close, fund, or package the mortgages it plans to deliver to the secondary mortgage market.

**Title** A legal document evidencing a person's right to or ownership of a property.

**Title Company** A company that specializes in examining and insuring titles to real estate.

**Title Insurance** Insurance that protects the lender (lender's policy) or the buyer (owner's policy) against loss arising from disputes over ownership of a property.

**Title Search** A check of the title records to ensure that the seller is the legal owner of the property and that there are no liens or other claims outstanding.

**Torrens Title** A system whereby, after court proceedings, a certificate is issued setting forth the extent of the applicant's estate in land subject to the exceptions shown. Most popular in the early 1900's, the system was adopted in 19 states. It is presently used only in parts of six states.

**Transfer Of Ownership** Any means by which the ownership of a property changes hands. Lenders consider all of the following situations to be a transfer of ownership: the purchase of a property "subject to" the mortgage, the assumption of the mortgage debt by the property

purchaser, and any exchange of possession of the property under a land sales contract or any other land trust device.

**Transfer Tax** State or local tax payable when title passes from one owner to another.

**Truth-in-Lending** A federal law that requires lenders to fully disclose, in writing, the terms and conditions of a mortgage, including the annual percentage rate (APR) and other charges.

**Two- To Four-Family Property** A property that consists of a structure that provides living space (dwelling units) for two to four families, although ownership of the structure is evidenced by a single deed.

**Trust** A property right held by one as a fiduciary for the benefit of another.

**Trustee** A fiduciary that holds or controls property for the benefit of another.

**VA mortgage** A mortgage that is guaranteed by the Department of Veterans Affairs (VA).

**Variable Rate Mortgage** A loan in which the interest rate fluctuates with the cost of funds or some other index.

**Vested** Having the right to use a portion of a fund such as an individual retirement fund. For example, individuals who are 100 percent vested can withdraw all of the funds that are set aside for them in a retirement fund. However, taxes may be due on any funds that are actually withdrawn.

**Veterans Administration (VA)** An agency of the federal government that guarantees residential mortgages made to eligible veterans of the military services. The guarantee protects the lender against loss and thus encourages lenders to make mortgages to veterans.