

Glossary of Terms

disclaimer

Australian Property Investors Network Pty Ltd is not:

- a licensed investment advisor or planner
- a licensed real estate agent
- a licensed financial planner or advisor
- a qualified or practicing accountant
- a qualified or practicing finance professional

All information including materials referred to or provided to the recipient by Australian Property Investors Network Pty Ltd (APIN) has been developed by Australian Property Investors Network Pty Ltd solely from personal experiences and research as an investor and is referred to, or provided as, a typical model or framework which is referred to or provided by the way of example only and is not intended to be, nor is it accepted as, specific investment recommendations or advice to the recipient.

The laws relating to finance, property, investment and taxation are constantly changing and whilst all care is taken in the formulation, presentation, and dissemination of the information APIN does not warrant the accuracy of the information nor the appropriateness of the information for the recipient's specific investment requirements.

No investment decision should be made by the recipient based solely on the information provided by APIN and the recipient should obtain independent financial and legal advice in respect to special to specific investment.

Release: The recipient releases absolutely APIN from all and any responsibility or liability for any losses claims or demands that may be incurred as a result of the recipient using the information for investment or other purposes.

Restraint: The recipient hereby agrees that it may not (whether expressly or implies) represent or hold out to any person that the recipient is a representative, agent, employee, and partner or in any way connected with APIN.

Confidentiality: The recipient hereby agrees that the proposals, documents, concepts, ideas, calculations, formulae, intellectual property and any other materials or proprietary information (whether written or oral) given to the recipient are strictly confidential and remain the intellectual property of APIN. Proprietary information may only be used by the recipient within the scope of the material and may not be adopted or used for any other purpose, in particular to conduct any other promotional or marketing activity, without the prior written consent from APIN.

Privacy: APIN is bound by, and committed to, supporting the National Privacy Principles (NPPs) set out in the Privacy Amendment (Private Sector) Act 2000. Our Privacy Policy addresses any potential concerns you may have about how personal information you provide to us is stored, used, and accessed, this information can be accessed by applying in writing to: Australian Property Investors Network Pty Ltd, Suite 33, Level 3, 1-7 Jordan Street, Gladesville NSW 2111 (ACN 120 319 897).

Glossary of terms

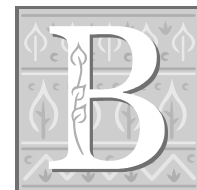


AAPR	Also known as the mortgage comparison rate or true. Used to compare the actual rate of a loan, taking into account the nominal interest rate per annum, the compounding frequency and upfront and ongoing fees, as outlined in the Consumer Credit Code.
At Call	A bank account from which money can be withdrawn immediately.
ABA	Australian Bankers' Association.
ABIO	The Australian Banking Industry Ombudsman (ABIO) provides an avenue through which customers can make complaints about their bank and have them dealt with or contract.
Acceptance	To agree to the terms of an offer or contract.
Access	The ways in which you are able to get to your funds e.g. ATM, EFTPOS
Accrued Interest	Interest you have earned or incurred that is yet to be paid or charged.
Act	A law made by parliament.
Additional Repayments	Extra funds paid into the over and above the minimum prescribed repayments.
Adhesive Duty	Stamp Duty or Loan Security Duty in the form of an adhesive stamp.
Adjustments	The process of allocating expenses (Council, electricity, phone. Water rates) on settlement day that the seller has paid for but not used, and which the buyer has not used but will be billed for.
Ad Valorem	In proportion to the value. Stamp Duty which is charged at an ad valorem rate is calculated on a sliding scale based on the amount of the transaction.
Adverse Possessor	Someone, other than the owner of land, who is in occupation of the land without a lease or license (whether actual or implied) of the owner.
Affidavit	A typed or written statement made voluntarily and signed and sworn usually before a Justice of the Peace. Court proceedings typically require and Affidavit as distinct from a Statutory Declaration.
Affordability	Housing affordability is measured by an index known as the Housing Affordability Index which is the ratio of average household disposable income to the income required to meet payments of a typical dwelling. The higher the number, the more affordable property is.
Agent	Person or body authorised to act on behalf of a client in the sale, purchase or management of property or other legal dealings.

All-In-One Loan	A loan, generally variable, that allows you to deposit all of your income into the loan account and then withdraw money from the loan account for all your day purchases and transactions. The longer spare funds stay in the account, the greater the interest savings.
Allotment	A block of land created out of a larger area.
Amortisation Period	The period of time one has to repay a loan at the arranged terms.
Annual Percentage Rate	The annual effective rate of the loan which is made up of the interest rate, fees and charges that are incurred during the contract period.
Application Fees	Fees charged to cover or partially cover the lender's internal costs of setting up a loan approval for a homebuyer.
Appraised Value	Estimate of the value of a property being used as security for a loan.
Arrears	The annual effective rate of the mortgage which is made up of the interest rate, fees and charges that incur during the contract period.
Assets	Money, property or goods owned.
Asset Backed Securities	A generic term used for any debt or beneficial interest issued where the repayment of the investment is based on an underlying pool of any type of asset.
Asset Liability Matching	The process of keeping the respective terms of a party's liabilities and assets relatively similar.
Assignment	In bankruptcy, the transfer by a debtor of the whole or part of their estate for the benefit of creditors.
Assumed Reinvestment Rate	The rate or series of rates at which the rating agencies will allow available cash to be projected.
At Call	An account from which money can be withdrawn immediately.
Attestation	The formal act of witnessing a signature.
ATM	Automatic teller machine.
Auction	Public sale of property with ownership going to the highest bidder, subject to a reserve price being reached.
Authorised Investment or Eligible Investments	Categories of financial, assets, established by the rating agencies, in which cash can be invested pending distribution to investors.
Australian Business Number (ABN)	Introduced as part of tax reform on 1 July 2000. It is a single identifier
Australian Prudential Regulatory Authority ('APRA')	The body set up to regulate the activities of all deposit taking institutions in Australia

Available Cash The total cash available for distributions to investors.

BAD Bank Account Debits Tax State or Territory government tax (except ACT) on withdrawals from accounts on which a cheque may be drawn.



Bad Debt A debt with little chance of being recovered, which is written off as a loss.

Balance Sheet A statement of assets, liabilities and net equity for an enterprise at a point of time.

Balloon Payment A large loan repayment to clear a debt.

Bank Cheque A cheque that draws money specifically from funds you own held in a bank.

Bankrupt A bankrupt is a person who is judged legally insolvent and whose estate is vested in a trustee for distribution among their creditors.

Bankruptcy When a debtor has his/her estate placed into the hands of a receiver who has the responsibility for its distribution.

Bankruptcy-Remote A characteristic of special-purpose vehicle whereby the likelihood of bankruptcy is minimised.

Basic Servicing Fee The fee paid to the servicer to compensate for the actual costs of administering the securitised assets (including an allowance for reasonable profits). Based on a commercial rate of payment.

Basis Risk Basis risk is the potential mismatch between the cash flows received on the mortgage loan assets and payments due to investors in the mortgage backed securities.

Basic Variable A variable home loan at a reduced rate but generally with fewer features than a standard variable.

Bearer Person presenting a cheque to a bank.

Beneficiary The party for whose benefit a trust is established and administered.

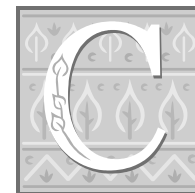
Bill Of Sale A written agreement whereby ownership is transferred but the original owner is allowed to retain possession.

Body Corporate A legal entity comprised of the owners of land on a Registered Plan (or Strata Plan) which includes common property. This typically occurs with units, townhouses and duplexes.

Body Corporate Certificate An extract from the records of the body corporate. Used by mortgagees primarily to obtain information concerning insurance and levies relating to work on the common property.

Bona Fide Proper and legal intentional — i.e. an absence of fraud, deceit or wrong doing.

Bonds	A long-term debt instrument where the interest rate paid to the investor is fixed for the term.
Borrower	See Debtor.
Break Costs	Penalties charged when a loan is paid off before the end of its terms. Generally applies to fixed loans.
Bridging Finance	A short-term loan that covers a financial gap between the purchase of a new property and the sale of an old property.
Building Inspection	An inspection generally carried out prior to the purchase of a property to ensure the building is structurally sound.
Building Regulations	The standards formulated by local councils to control the quality of buildings.
Building Societies	Lending institutions which may be cooperatively owned or owned by shareholders. They seek to redistribute profits back to members by providing higher deposit rates and lower mortgage loan charges.



Calculated	The frequency at which interest is determined. It is usually calculated on a daily, weekly or monthly basis.
Capital	The current value of your long-term assets - house, property or business.
Capital Adequacy	The common term for the requirement imposed by the Australian Prudential Regulatory Authority (and by most other developed countries' banking regulators) that a financial institution must maintain capital in an amount no less than 8% of risk weighted assets.
Capital Gain	The monetary gain obtained when you sell an asset for more than you paid for it.
Capital Gain Tax	A federal tax on the monetary gain made on the sale of an asset bought and sold after September 1985.
Capital Risk	The risk that an investor will not receive all capital invested in accordance with the investor's expectation.
Capitalising Interest	When interest payable is accrued and added to the total debt payable rather than being paid as it is charged.
Capped Loan	A loan where the interest rate is not allowed to exceed a set level for a period of time, but, unlike fixed rate loans, is allowed to drop.
Cash flow uncertainty	A characteristic of a structure whereby the repayment schedule to investors is not fixed.
Caveat Emptor	Latin for 'let the buyer beware', or in English 'you pay your money and you takes your chances'.
Caveat	A warning or caution. In relation to the Torrens system, it is a temporary notice registered on the Title for the purpose of claiming an interest in the property.
Certificate Of Title	This document details the land dimensions and ownership details for a property, and whether there are any encumbrances on it.
Chain of Title	A form of property title grounded in Common law- consists of a "chain" of title documents stretching back to the original owner.
Charge	A document, being a contract between the owner of property (chargor) and a lender (chargee) whereby the owner agrees that the property the subject of the charge shall secure the repayment of the debt owing by the owner/chargor and the lender/chargee.
Charged	The frequency at which interest is added to the loan balance. This can differ from the frequency at which it is calculated. On many loans, interest is calculated daily but charge monthly.
Chargee	The party who takes a charge over a property (the lender).

Chargor	The party who grants a charge over their property.
Chattels	Personal property not being real property — i.e. not land.
Check Search	see Final search.
Chooses In Action	Enforceable rights held by a person or company against another e.g. the right to have debt repaid; a right to sue someone; etc.
Clean Sale	Terminology used where loans are sold by financial institution into a securitisation structure. It means that there cannot be any obligation to buy the loans back other than a clean-up call.
Clean-up Call	A structural feature whereby the issuer can pay out remaining investors when the face value of mortgage backed securities outstanding is less than an agreed percentage of the original issue amount.
Code of Banking Practice	A voluntary system for regulation of banking conduct.
Collateral	Literally secondary or subordinate. A collateral security for example, is one given in addition to the principal security. Also used as a general term in place of ‘security’.
Combination Loans	Where various loans come under the same banner to form one loan. May have a portion variable, fixed or even a portion as a line of credit. Also known as split loans.
Commission	A fee payable to an agent or salesperson for services.
Commercial Paper	A term used for debt securities that are short term in maturity.
Common Property	An area used by many, not an individual. Owned by the tenants in common. Apartments are not individually owned. Owners instead have a stake in the company as a whole.
Company Interest	Interest that is paid on both the accumulated interest as well as on the original principal.
Company Seal	A rubber stamp or an impressed seal in approved form. It is the company’s signature and must contain their A.C.N. or A.R.B.N. and is affixed in the presence of people who sign on behalf of the company.
Company Title	A form of property title where a unit complex is owned by a company with purchasers buying a range of shares that enable them to occupy a particular unit.
Comparison Rate	Also known as ‘true rate’. Used to compare the actual rate of a loan, taking into account nominal interest rate per annum, the compounding frequency and upfront and ongoing fees, as outlined in the Consumer Credit Code.
Composition	In bankruptcy, an offer by a debtor to pay a lump in exchange for a release from their financial obligations. Usually the funds are provided by a third party.

Compound Interest	Interest that is paid on both the accumulated interest as well as on the original principal.
Construction Loans	A loan specifically granted for the purpose of funding the building of a new dwelling. You are generally able to draw money as required, so you can pay as necessary.
Consumer Credit Code	An ACT of Parliament governing the relationship between borrowers and lenders.
Contract	A legally enforceable agreement between individuals or entities. In real estate, contracts are exchanged when the deposit is paid.
Contact of Sale	A written agreement outlining the terms and conditions for the purchase or sale of property.
Controlled Amortisation Provision	A structural feature whereby collections up to a specified amount are applied to redeem securities, and any excess is reinvested in additional qualifying receivables.
Conditions Precedent	The conditional circumstances that surround a specific financial arrangement. These are in addition to the standard terms and conditions are often unique to that borrower or group of borrowers.
Conveyance	The process of transfer of ownership of property.
Conveyancing	The legal process by which ownership of property is transferred from one party to another.
Co-operative Housing Societies	Organisations who provide loans to people on welfare and low to middle incomes that do not qualify for loans with other lending institutions.
Countersigned	Additional signature or signatures to guarantee the validity of a document.
Covenant	Formal and binding restrictions or requirements. A breach of any covenant in any loan document constitutes an act of default
CRAA	Credit Reference Association of Australia — the body that holds credit details on all of us!
Credit	Borrowed money to be paid back under an arrangement with a lender. Also, a sum of money paid into an account Credit Limit Maximum amount a borrower can use at any one time.
Credit Enhancement	A category of facilities intended to protect investors from losses or shortfalls with respect to securitised cash flows.
Credit Limit	The maximum overdraft a borrower may have on an account e.g. a credit card account.
Credit Reference Association Of	Now called Credit Advantage. It holds details of individual and business credit histories.

Australia (CRAA)

Credit Risk

The risk that a mortgage will not perform in accordance with the requirements of the mortgage.

Credit Unions

A type of lending institution originating from cooperative groups who shared a common bond. They offer savings and loan accounts.

Creditor

A party to whom money is owed.

Crossed Cheque

A cheque with two parallel vertical lines across it to specify that the cheque must be paid into an account and can't be cashed.

Crown

(in Australia) The State or the Commonwealth.

Crown Land

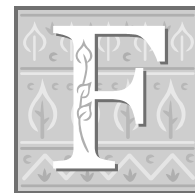
Land owned by the Crown.



Daily Interest	Interest calculated on a daily basis -therefore varies according to daily account balance.
Dealings	Under the Torrens System, documents evidencing transactions e.g. mortgage, lease etc. All dealings are allocated a reference number and are recorded in the register.
Debit	An account entry to charge a withdrawal to a specified account.
Debt	An entry to charge a withdrawal to a specified account.
Debtor	Someone who owes money to someone else.
Deed	A legal document that states an agreement or obligation regarding a property.
Deed Poll	A deed made by one party only. E.g. a deed for publishing a change of name.
Default	Failure to meet debt payment by a due date.
Default Rate	The rate a loan rolls/ moves to automatically at the end of any fixed period.
Deferred Establishment Fee	Charge when you pay out your loan within a short period of taking it out, such as three years.
Deposit Bond	Guarantees that the purchaser of a property will pay the full deposit by the due date. Institutions providing deposit bonds act as a guarantor that payment will be made. They are often used as surety when cash isn't ready available at short notice.
Deposit Plan	see Registered Plan.
Daily Interest	Interest calculated on a daily basis - therefore varies according to daily account balance.
Disability	Legal incapacity. Either 1) general: disabling a person from doing all, acts of a specified kind or 2) special: disabling a person from doing a specified act. Minors are examples of persons under disability.
Discharge	A full or partial release of a registered mortgage.
Disposable Income	Any income left over after all known expenses have been met e.g. mortgage payments, bills.
Duly Stamped	A term used when stamping has been completed in terms of the relevant Act.
Draw Down	To access available loan funds, especially referring to lines of credit where the limit is set and you can use the funds as required.



Early Termination Payment	The cost of winding up a loan early.
Easement	A right to use a corridor or passage of land which is owned by another.
EFT	Electronic Funds Transfer — electronic transfer of funds from one account to another.
End Loan	Pertains to bridging finance – it is the loan amount you are left with after you have sold your existing home and paid the proceeds towards your bridging loan.
Endorse	To sign the back of a cheque to confirm or transfer its ownership to someone else.
Encumbrance	An outstanding liability or charge on a property.
Equitable Interests	The holder of an interest in property where the holder does not hold the legal interest (e.g. as a beneficiary and in relation to Torrens Title land for example as purchaser under a contract which has not yet settled, as lessee under an unregistered lease, as mortgagee under an unregistered mortgage or as a prior owner defrauded out of property).
Equity	The amount of an asset actually owned.
Equity Loan	A loan which allows the debtor to utilise the equity in their assets in order to make additional purchases.
Equity Mortgage	A loan secured by the part of the value of an asset (usually house), which you own.
ERIC	Effective Rate of Interest plus Costs.
Establishment Fees	Lending body fees which may or may not be charged to set up a loan.
ETIA	Early Termination Interest Adjustment
Exchange of Contract	The legal point of time when the vendor and purchaser swap documentation and start enquiries with a view to settlement.
Exceptions to Indefeasibility of Title	The exceptions to the notion that the title of an interest holder in Torrens Title Land, which interest is registered.
Excess Servicing Fee	The fee paid to the originator based on the spread of interest earned on securitised assets over the sum of the investor rate plus the basic servicing fee.
Execute	To sign and complete a document as necessary.
Exit Fees	see 'break costs'
Expected Maturity	The date on which securities are expected to be redeemed in full, based on a reasonable payment rate or prepayment assumption.



Fee Simple	A type of interest held in land. The highest or most complete form of ownership. The owner is not restricted in how he/she can dispose of the property.
Fee Tail	A type of interest held in land where restrictions were placed on the owner on disposal of the land. The land was inherited and passed through generations according to the wording of the original restriction. This form of land holding is now abolished in Australia.
FID	Financial Institutions Duty — state duty on the receipts of financial institutions.
Final Search	Also known as a check search. A search of the land register conducted in the last 24 hours prior to settlement.
Financial Guarantee or Surety	A form of credit enhancement whereby the provider (usually a monoline insurance company) pays principal and interest on securities if the issuing vehicle is unable to do so.
First and Third Party Mortgage	A mortgage where there are first elements (same debtor and mortgagor) combined with third party elements (an additional different debtor or mortgagor).
First Party Security	Where the debtor and mortgagor are one and the same.
Fittings	Items that can be removed from a property without causing damage to it.
Fixed Charge	A mortgage debenture over specific assets of a company.
Fixed Interest	An interest rate set for an agreed term.
Fixtures	These are items that would cause damage to a property if removed. Their removal must be stipulated in the contract of sale and any damage made good by the seller.
Floating Charge	A mortgage debenture over the business and undertakings of a company. The company is free to deal with the assets in the normal course of business until an event of default occurs or the debt is satisfied.
Floating Rate Note	A long-term debt instrument where the interest rate is variable, generally the rate is reset on a regular basis to a predetermined reference rate.
Foreclosure	The procedure whereby, in the event of default under the terms of the loan documentation and mortgage, the mortgagee takes the security property in full satisfaction of the debt.
Freehold	The dwelling and the land on which it stands is owned by the owner until they choose to sell it.

Friendly Societies

A group of members who pool their cash reserves to assist other members. They operate on a nonprofit basis by redistributing earnings to members via high deposit rates and lower loan rates.

Frozen Account

An account in which all transactions have been suspended.

Funds Provider

People or organisations who inject money into a pool of funds designated for mortgage loans.



Garnished Order	An order made by the court directing money to a judgment creditor. The order relates to money that is owed to the debtor by another party. Generally, the most common form a garnishment is against an employer for wages
Garnishee	To legally divert a part or whole of someone's money or property to someone else.
Gazumping	When your offer on a home loan has been accepted (but not yet paid) and another party comes in at a higher price and secures the sale.
Gearing	The ratio of your own money and borrowed funds in an investment.
GiroPost	A facility allowing you to conduct banking transactions through the post office.
GST	Goods and Service Tax, to be implemented in July 2000 at 10 percent.
Guarantee	A promise made as bound by the terms of a contract.
Guaranteed Investment Contract or GIC	A contract whereby an issuer deposits cash with the provider, on which the provider pays interest at a specified rate.
Guarantor	A party who agrees to be responsible for the payment of another party's debts.

High Start Loan

A loan where the initial repayments are high and decrease over the term of the loan.

Highest Bid

The top price offered by a bidder at auction. If the reserve price is not reached and the property is passed in, the highest bidder is given the first option to negotiate with the vendor.

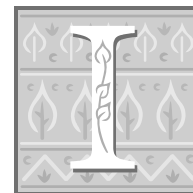
Holding Deposit

A refundable deposit based on the goodwill of the buyer to go ahead with the purchase.

Hotline

Lender's information line number, usually a 1800 (free call) number or a 13 (local call) number. Often connects you to a call centre intended to answer your queries rapidly.





ILR	Indicator Lending Rate — the base rate on which interest rates for variable rate overdrafts and term loans are set.
Impressed	A marked impression. The marking of stamp duty on documents was traditionally carried out by the paper being impressed. An ink stamp is used today, however, the act of stamping (except for adhesive stamps) is still referred to as being impressed.
Inclusions	Items included with the property e.g. light fittings, fridges, etc.
Income Risk	The risk that an investor will not receive all income on an investment in accordance with the investor's expectation.
Income Statement	A statement of income and expenditure for a period, usually a year.
Indefeasibility of Title	The concept that once an interest in land (i.e. as registered owner, title as mortgagee, as lessee) has been registered on the Register of Torrens Title Land, then the fact of registration is conclusive proof of that interest. The interest or title of the holder cannot be defeated unless there exists one of the 'exceptions to indefeasibility of Title'
Insolvency-proof	A characteristic of a special-purpose vehicle whereby the vehicle's assets are immune to claims of the originator's creditors.
Instalment	See Repayment.
Instrument of Mortgage	The document, being a contract between the owner of the property (mortgagor) and the lender (mortgagee) whereby the owner agrees that in the event that the owner does not repay the debt due to the Lender/mortgagee, the property the subject of the mortgage shall secure the repayment of the debt owing by the borrower/mortgagor to the lender/mortgagee.
Insolvent	Unable to pay one's debts.
Insurance Companies	Corporations who lend funds directly and indirectly in addition to providing general insurance cover that protects secured assets.
Interest	The lending body's charge for the use of funds or the return on deposited funds. See daily interest and monthly interest.
Interest Adjustment	When additional repayments are made on a fixed loan, an interest adjustment cost is sometimes charged to compensate the lender for loss of interest revenue.
Interest Only	Usually a short-term arrangement whereby payments cover the interest only, not the principal.
Interest Only Loan(IO)	A loan where the principal, is paid back at the end of the term and only interest is paid during the term. The loans are usually for a short period of one to five years.

Interest Rate Margin Risk	The risk that the margin between the interest rate of a mortgage and the interest rate of the underlying funding of the mortgage is not sufficient.
Interest Rate Floor	A contract whereby the provider supplements, to a specified level, any interest earned on cash balances.
Interest Rate Risk	The risk that the underlying interest rate funding a mortgage has different characteristics to the interest rate of the mortgage.
Interest Rate Swap	A contract whereby the provider agrees to swap cash flows with the counterparty of the swap.
Internal Rate of Return	A measure of the return on an investment (or loan) which takes into account the time value of money by showing the rate of interest at which, the present value of future cash flows is equal to the cost of the investment or loan.
Internet Banking	When banking transactions such as transfers, payments and often home loan applications can be made via the Internet.
Introductory Loan	A loan is offered at a reduced rate for an introductory period (usually no longer than 15 months) to new borrowers.
Inventory	A list items included with the property e.g. furniture, movable items, etc.
Investment Grade	The top four rating categories for long-term securities.
Investment Loan	A loan used for the purchase of an investment property.
Investment Property	A property purchase for the sole purpose of earning a return on the investment, either in the form of rent or capital gain.
Investors	Provide the money which is loaned in the financial system. Investors can be passive (through savings accounts) or active (purchasing mortgage-backed securities).
Investor Rate	The interest rate payable to investors.

Joint Tenants

A form of property ownership where the interest is equal between all parties. The right of survivorship is a feature meaning that an interest passes automatically to the surviving party/s upon death.



Judgment

The decision or sentence of a court.





Land Tax	A State Government tax charged to the owners of any investment property over a stipulated value, and to the owners of any-occupier properties valued above a higher threshold.
Land Titles Office	A state government department which maintains the registers containing information on each parcel of land under their jurisdiction.
Land Transfer Fee	A State Government tax assessed on the selling price of the property, generally around \$60.
Lease	A contract granting use or occupation of property during a specified period or a specified rent.
Leasehold Estate	An interest in land granted to someone (the lessee) for a particular period of time.
Legal Interest	In relation to property, the holder of the title in the property. In relation to Torrens Title Real Property, the holder of the registered interest (i.e. as owner, as mortgagor, as lessor etc).
Legal Maturity	The last date on which principal on the securities can be repaid to investors, based on the scheduled amortisation of the securitised assets.
Lenders Mortgage Insurance	An insurance that agrees to cover the risk of losses for the lender on mortgages.
Letter Of Demand	A letter outlining a condition of default which usually demands the rectification of arrears or full clearance of the debt.
Liabilities	Outstanding debts or obligations.
License	In relation to land, a contractual right to use the land for some particular purpose (e.g. to enter and cut trees; to enter and to pass over; to enter and to fish in creeks etc.; to erect signs; etc). A licence is an agreement between people and /or companies which does not (usually) survive a change of ownership of the property (eg an easement).
Life Estate	An interest in land granted to someone for the term of their life, or for the term of someone else's life. After the relevant life is over, the interest in land reverts to someone else.
Limit	A specified maximum loan amount.
Line Of Credit	A flexible loan arrangement with a specified ceiling to be used at the customer's discretion. An overdraft effectively functions as a line of credit.
Liquidity Facility	A contract whereby the provider provides cash to compensate for any timing mismatches between the securitised assets and the associated securities. This will be repaid from the future collections within the securitisation structure.

Liquidity Management	The processes used by a financial institution to ensure that its internal systems and controls are adequate to ensure resources are available to cover potential funds outflows.
Liquidation	The process by which companies are wound up and the assets distributed among creditors. If the company is not insolvent, the assets are distributed among the shareholders.
Loan Comparison System.	A computer program designed to compare the true cost of different loans
Loan Maintenance Fee	A loan management fee charged over the life of the loan. Often referred to as an ongoing fee.
Loan Security Duty	Stamp Duty on loan security documents.
Loan To Valuation Ratio (LVR)	The ratio of the amount lent to the valuation of the security (usually the house).
Lodged	Submitted.
Low Start Loan	A loan where the initial repayments are low and increase over time.



Margin	This is the difference between the lender's interest indicator rate (other reference rate) and the rate actually charged to borrowers.
Market-value Redemption	A structural feature whereby securitised assets are sold.
Market Value	The price that a property will bring in the open market from voluntary bargaining between vendor and purchaser.
Maturity	The date a debt or investment must be paid in full.
Maximum Loan Amount	The maximum loan value which can be borrowed.
Memorandum and Articles of Association	A two part document: the memorandum is the document that sets out the objects and powers for which a company is incorporated. The Articles contains the rules for internal management.
Mortgage	A conveyance or charge over property. In essence, a mortgage enables the mortgagee to take the property if the debtor fails to repay the loan.
Mortgage Backed Securities	A generic term used for any debt or beneficial interest issued where the repayment of the investment is based on an underlying pool of mortgages.
Mortgage Brokers	Also known as mortgage introducers who match prospective borrowers with financial institutions offering loans.
Mortgage Debenture	A form of security over a company's assets A type of enhancement which protects the mortgagee from loss in the event that a mortgagee sale fails to realise sufficient funds to repay a debt.
Mortgage Default Risk	The risk of a capital loss or income loss being incurred on a defaulting mortgage.
Mortgage Discharge Fee	An administration fee to cover the costs (e.g. documents) incurred in winding up a plan.
Mortgage Comparison Rate	Also known as the true rate. Used to compare the actual rate of a loan, taking into account the nominal interest rate per annum, the compounding frequency and upfront and ongoing fees, as outlined in the Consumer Credit Code.
Mortgage Insurance	Part of the securitised loan system. Manage loans throughout their course until the related mortgages are discharged.
Mortgage Insurance (Lenders)	A form of insurance taken out by the lender to cover themselves in the event that the borrower defaults on their loan and the sale of the property is unable to cover the outstanding amount. Mortgage insurance premiums are usually payable by the borrower when the amount borrowed is over 80% of the property value and sometimes at lower loan valuation ratios.

Mortgage Intermediaries	Institutions such as mortgage managers who are responsible for marketing and selling loans provided by mortgage originators.
Mortgage Offset	A non-interest earning account that is offset against a home loan to reduce the total interest payable.
Mortgage Originators	Companies who write and process mortgage loans with money usually obtained from a pool of funds. They are at the consumer end of the securitisation process.
Mortgage Management Agreement	The document which, governs the terms under which securitised mortgage loans are administered.
Mortgage Manager	A company responsible for managing every facet of a borrower's loan. Often source loans from mortgage originators.
Mortgage Pipeline Risk	Risks that occur between the origination and settlement of a mortgage.
Mortgage Pool Policy	An insurance policy provided by a lenders mortgage insurer for a pool of loans which are underwritten in bulk rather than individually.
Mortgage Protection Insurance	Not to be confused with mortgage insurance, this covers borrowers' loan repayments in the event that they are not able to meet them through illness or redundancy, for example.
Mortgage Registration Fee	A State Government charge for the registration of the loan, usually around \$100.
Mortgagee	The lender of funds.
Mortgagor	The person borrowing money in the terms of a mortgage.
Mutual Societies	Institution operating in a similar fashion to banks – ie they take deposits and provide loans. Customers are 'members' and have ownership in the institution – building societies come under this banner.

Negative Gearing

The process by which losses made on an income bearing investment can be deducted from taxable income from other sources.

**Nominal Duty**

Fixed stamp duty of relatively small amounts.

Notice of Acquisition

A document required in some states to accompany the transfer. It provides the LTO with information concerning land dimensions and where local government notices (rates) should be served.

Notional

In relation to stamp duty, a receipt marking on documents where duty is not required.



Off the plan	The purchase of a property, often an apartment, before it has been completed i.e. after only having seen the plans, not the finish product.
Offset Account	A savings account linked to your mortgage in such a way that the interest earned on your savings is applied to reduce the interest on your mortgage.
Off-Balance Sheet Treatment	An accounting treatment whereby an originator is entitled to remove securitised assets from its own balance sheet.
Offer To Purchase	A legal agreement that details a specific price for the purchase of a specific property.
Old System Land	Land which is privately owned (i.e. not Crown owned land), but which has not yet been put on the Torrens Title Register.
Old System Title	See Chain of title.
Ombudsman	The Australian Banking Industry Ombudsman (ABIO) provides an avenue through which customers can make complaints about their bank and have them dealt with independently.
Ongoing Fee	Any Loan maintenance fee charged regularly over the life of a loan.
Online Application(Form)	The ability to apply for a loan via an application from on a lender's website.
Option to Buy	A legal binding document which gives a person, for a fee, the right to buy something usually within a specific time frame at a specific price.
Originator	A party who causes a securitisable asset to be created.
Overdraft	A pre-arranged limit to which a person can exceed an account balance.



Part X	A section of the Bankruptcy Act which is for the purpose of proposing realistic and achievable arrangements of good faith between debtors and creditors.
Pass In	A property is 'passed in' at auction if the highest bid fails to meet the reserve price set by the vendor.
Pass-Through or Pay-Through	A structure whereby principal collections on securitised assets are applied to redeem investor principal.
Payee	The person or entity to which a cheque is payable.
Payout Event or Amortisation	A specified event upon which the operation of a revolving provision is suspended, and principal collections are applied to redeem securities.
Phone Banking	When banking transactions such as transfers, payments and deposits can be made over the phone, often by an automated phone system.
Plan of Subdivision	A plan lodged at the LTO, which divides a larger parcel of land into several smaller lots.
Plan	Detailed illustration of a house that shows the internal layout and dimensions and the position of the house on the land.
Pool Insurer	Provides the insurance coverage for all mortgage loans in a pool.
Pool Manager	Manage a pool of funds designated for mortgage loans. Their duties include selling the pool delivery rate and paying the return to the funds providers.
Portability	Where a new property may be substituted as security for an existing loan.
Power Of Attorney	A formal instrument by which a person empowers another to act on their behalf.
Prepayment Risk	The risk that part or all of the capital of a mortgage is paid back, prior to the expected time of repayment.
Prepayment Step-Down	The mechanism that allows subordinated debt holders to start.
Prime Security	The first or main security document.
Principal	The capital sum borrowed on which interest is paid.
Principal and Interest Loan (P&I)	A loan in which both the principal and the interest are paid during the term of the loan.
Prior Equity	An equitable interest in property granted earlier in time than the current interest to which it is being compared.
Priority	A ranking determined by the date and time a register is noted.

Private Sales	The sale of a property without an estate agent.
Private Treaty Sale	A property sale where the buyer negotiates on a price set by the seller.
Program Manager	A party which administers a securitisation program, and which either administers the securitised assets or oversees their administration by others.
Property Insurance	Insurance cover which protects property against loss or damage.
Proof of Debt	A document lodged by a creditor outlining their interest in an insolvent entity's estate. This may be as part of the liquidation or bankruptcy process.
Provision	Proceeds applied to redeem securities.
Purchase Facility or Takeout Facility	A contract whereby the provider purchases securitised assets at a specified time, the proceeds of which are applied to redeem securities.
Purchaser	The buyer of property.

Qualifying Receivables

Receivables which meet selection criteria established by the rating agencies, which can be purchased under the terms of a revolving provision.





Rating Agency	A party which makes an assessment of the likelihood that securities will be repaid in a timely fashion.
Real Property	Property which is land.
Rebate	A refund, 'cash back' or monetary incentive e.g. the first home-buyers rebate or tax rebate.
Receiver	An administrator or manager appointed to a company, usually by a secured creditor, for the purpose of realising assets covered by their security. Receivers may also be appointed in the case of bankruptcy.
Redraw	A feature offered on loans that allows a borrower to have access to additional repayments made.
Redraw Facility Provider	A structural feature where a party agrees to fund redraws made by borrowers whose loan has been securitised.
Refinancing	To replace or extend an existing loan with funds from the same institution or another.
Registered Plan	Any plan lodged and registered at the LTO. Also known in some states as a Deposited Plan.
Registered Proprietor	In relation to Torrens Title real property, the person/company who/which is recorded as the owner of the land.
Rental Guarantee	A promise by the developer guaranteeing a certain level of return on an investment property. Usually stated as a percentage of the purchase price, it generally relates to investment properties purchased off the plan.
Repayment	An allotted deposit to a loan account to repay a debt. Usually the repayments are broken into monthly amounts over a specified term.
Requisitions on Title	A process by which the buyer requests additional information about the title of the property from the seller.
Reserve Account	A cash deposit established to cover shortfalls of collections to the amounts required to service and redeem securities.
Reserve Price	Specified minimum price acceptable to a seller at auction.
Retention of Title	'Romalpa Clause' where title of goods does not pass to a buyer until the goods are fully paid for, even though the goods are in the possession of the buyer.
Residential Investment Loan	A loan granted to purchase a property intended for investment purposes (example, to be rented)
Revolving Period	The period of time during which principal collections are reinvested in qualifying receivables under the terms of a revolving provision.

Revolving Provision	A structural feature whereby the principal portion of collections are applied to purchase additional qualifying receivables.
Right of Redemption	A right in relation to a mortgage which is in the form of transfer of property to the lender which is the right of re-transfer back to the original owner once the debt to the lender has been paid out.
Right of Way	Can be either somebody's right to cross other property or a general pathway across your land.
Rise and Fall Clause	A building contract clause that allows the final pricing to move up or down according to the fluctuations of material prices or wages.



Search	An examination of land title documents to confirm the owner (and any other rights holders) of property.
Security	An asset that guarantees the lender their borrowings until the loan is repaid in full. Usually the property is offered to secure the loan.
Securitisation	The process of converting cash flows into securities.
Security Trust	A trust established to hold, for the benefit of investors, a charge granted over securitised assets.
Security Trustee	The trustee of a security trust.
Semi-Detached	Two houses that share a common wall or walls.
Senior Debt	Where the claims of the holder of the debt ranks ahead of other debt holders.
Servicer	A party with the duty of administering securitised assets.
Settlement	The finalisation of a transaction. Typically where documents are exchanged in order to change the ownership of some property.
Signatory	A person authorised to utilise an account.
Solicitor	A qualified legal practitioner who provides legal knowledge and conveyancing expertise to borrowers and mortgagees.
Solicitor Mortgages	Mortgages offered through solicitors firms. Some firms will take an active part in managing the loan, while others merely set up the loan. Generally offered at higher rates than other lenders, these loans are normally short term.
Special-Purpose Corporation	A corporation created solely for the purpose of issuing debt.
Special-Purpose Vehicle	Either a trust or special-purpose corporation created solely to issue securities supported by securitised cash flows.
Special Redemption Provision	A structural feature whereby collections are applied immediately to redeem securities, whether or not it is a regularly scheduled payment date, if the retention of the cash would cause the structure not to be able fully to service and redeem the securities.
Split Loan	see combination loan.
Stamp Duty	A state based charge levied to raise revenue. Stamp duty relating to loan security documents is often distinguished a loan security duty.

Statutory Notice	A notice served on any mortgagor in default, setting out the particulars of default and calling on the mortgagor to rectify the situation within the period prescribed in the mortgage.
Stepped	A stepped account is one in which different amounts of interest are paid on different portions of the account, e.g. 2% on the first \$1,000 and 3% on the second \$1,000.
Strata Title	This title gives you ownership of a “unit” of a larger building which you may sell, lease or transfer at your discretion. Also entitles you to membership of the body corporate.
Stratum Title	Similar to Company Title where the owner becomes a shareholder in the company that manages the common area, not just a member.
Subordinated Debt	Where the claims of the owner of the debt ranks behind claims of other debt holders.
Summons	A document issued from the office of the court calling upon the person(s) to whom it is directed to attend before a judge or other officer.
Surety	A party who has contracted to be responsible for another.
Survey Certificate	A certificate issued by a surveyor detailing the position of structures on a parcel of land and any encroachments.
Susceptibility Report	Shows likelihood of future pest infestation.



Tenants in Common	A form of property ownership where interests can be equal or unequal allowing for each party to deal with their share independently. Upon the death of one party, their interest passes to their estate for distribution to beneficiaries.
Term	The length of a home loan or a specific portion within that loan.
Term Deposit	Often called a fixed interest account a type of savings account where the size of the deposit, the interest rate and the length of time the money is deposited for are all fixed.
Terms and Conditions	A document that contains the details of a loan to be made available to the borrower including the conditions precedent. Also known as a Letter of Offer.
Third Party Security	Security offered by one party for the liabilities of another.
Title Fees	Payable to the states' Land Title Office for the title search, transfer of property ownership, registration of the new mortgage and discharge of the old one.
Title Particulars	An allotted number for a parcel of land determined by the volume and folio under which the records are filed at the Land Titles Office. With some automated systems, the particulars are determined by the legal land description using lot and plan numbers.
Title Search	see Search.
Torrens	Records your ownership of a piece of property. You are lawfully entitled to lease, sell or dispose of the property as you desire. Also known as a certificate of title.
Torrens Title	A system of land title registration developed in Australia in the 1860s by Sir Robert Torrens. The owner, together with all encumbrances (mortgages, leases and easements) are recorded on the certificate of Title.
Town House	Usually a two storey dwelling registered under a strata title.
Transaction Fee	Charges for any transactions conducted i.e. withdrawals, transfers, deposits.
Transferee	The party receiving the title of property (the purchaser).
Transferor	The party giving the title of property (the vendor).
Transfer of Land	An instrument which authorises the LTO to record a change in property ownership. This form of transfer is used when the change of ownership is due to normal real estate trading.
Transfer Under Power of Sale	An instrument which incorporates a discharge and is used by Mortgagees exercising their power of sale.

Trust	An arrangement whereby assets are transferred to a trustee with the intention that they be administered for the benefit of a beneficiary.
Trust Deed	The document which governs the establishment and administration, of a trust.
Trustee	A party who takes legal title to specified assets under the terms of a trust deed.



Underwriter	A party who purchases mortgage backed securities from an issuer for the purpose of distributing the securities to investors.
Underwriting Agreement	The document which governs the terms by which securities are underwritten.
Unencumbered	Property free of liabilities, encumbrances or restrictions.
Uniform Consumer Credit Code (UCCC)	A legislative Code that regulated various aspects of consumer credit.
Unencumbered	Clear title — i.e. where ownership or title to property has no title restrictions to which it is subject to such as mortgages, leases, easements, etc.
Unstamping	The process and costs involved when more stamp duty is required to be paid.

Valuation

A report as required by the lender detailing a professional opinion of a property's value.

Variable Interest

A rate that varies in accordance with the rates in the marketplace.

Vendor

The seller of a property.



Warrant

A written authorisation issued by the court.



Zoning Certificate

A certificate issued by the local government outlining the zoning (e.g. residential, commercial) and any regulations that restrict the use of property.

