

# Mortgage contract and default essay

Economics



**ASSIGN  
BUSTER**

Mortgage contract and default 1. Real estate properties can be acquired through mortgage, or a written agreement between a real estate buyer and a lender, that a piece of land will serve as the collateral for getting a secured housing loan. An unsecured housing house does not require that the borrower identify the collateral in borrowing money. 2.

The lender, or mortgagee, is generally a financing company such as a banking corporation. Such type of agreement is based on the employment of a piece of land or real estate as an assurance that the loaned money will be repaid based on the agreed terms and conditions (CCCS, 2007). If the borrower (mortgagor) is unable to keep his regular installment-based payments, the loan is thus put into default, and the lender has the authority to foreclose the real estate that was used as collateral and present this as an item for sale (Cagan, 2006). This action taken by the lender is understood to be the performed in order to replace the amount of money that was expected to be paid, and also to reduce the debt of the loan holder. The lending company may also inform the loan holder to pay the amount due so that the loan may be maintained. 3.

The mortgage loan is initiated when an applicant requests a lending company for a loan and signifies his commitment to conform to the terms and conditions of the transaction. The lending company, in turn, performs a risk evaluation of the loan applicant. This involves checking the applicant's financial capability to provide regular installment payments for the loan. In addition, the lending company also assesses the value of the real estate that is involved in the mortgage loan. When the lending company observes that the loan applicant is indeed financial capable of entering into such a

mortgage transaction, the lending company then grants the mortgage loan.

4. The lending company issues its terms and conditions regarding the mortgage loan, which details the amount of money that will be lent, as well as the terms of repayment of the mortgage loan, interest rate and other essential factors. Once the loan applicant accepts the terms and conditions and the commitment for the loan and its repayment, the transaction is now considered a binding mortgage contract (Menino, 2006).

5. Mortgage loans that involve real estate properties for residential purposes generally carry a fixed annual percentage rate (APR) or interest rate that will run for around fifteen to thirty years. This interest rate is generally influenced by the current market value of the real estate property at the time when the borrower submitted his loan application.

The lending company has the privilege to put some more value on its yield, which may be more than the indicated interest rate, by asking the loan applicant to pay additional fees as soon as the loan is finalized. Such so-called value may be equivalent to a fraction of the total amount requested in the mortgage loan. Hence, it is very helpful to the loan applicant or borrower to pay as much as he can during the initial stages of the mortgage loan process so that the interest rate of the contract may be decreased over the stipulated term of the mortgage loan. References Cagan CL (2006): A ripple, not a tidal wave: Foreclosure prevalence and foreclosure discount. First American Real Estate Solutions, CA.

17 pages. Consolidated Credit Counseling Services, Inc. (2007): Avoiding foreclosure. Consolidated Credit Counseling Services, Florida.

9 pages. Menino TM (2006): Foreclosure trends, 2006. Department of Neighborhood Development, City of Boston.

9 pages.