

TYPES OF LOANS IN INDIANA

STUDY SHEET

Summary

In this section, you learned about the types of loans typically used to finance residential real estate transactions as well as the sources of loan money and the instruments used to secure loans.

Top Takeaways

- The mortgage and the deed of trust are used as security instruments. They're accompanied by the promissory note, which is the borrower's promise to repay the loan.
- A mortgage is a lien against a specific property. This is the security instrument most commonly used in Indiana real estate transactions.
- Common mortgage clauses include the acceleration clause, due-on-sale clause, defeasance clause, and prepayment penalty clause.
- States may be either lien theory or title theory states. Indiana is a lien theory state, which means the borrower holds title to the property while the loan is being paid off. The lender holds a lien (the mortgage) against the property.
- As a lien theory state, Indiana uses a judicial foreclosure process.
- Mortgage payments are made up of principal, interest, taxes, and insurance (PITI). Taxes and insurance are often held in reserves by the lender.
- Interest rates may be fixed or adjustable.
- Consumers can work with commercial banks, insurance companies, credit unions, savings and loan associations, mortgage bankers, mortgage brokers, and investors to get financing.
- Mortgages may be conventional or government (Federal Housing Administration, U.S. Department of Veterans Affairs).
- Lender actions are governed by the Real Estate Settlement Procedures Act, the Truth in Lending Act, and the Equal Credit Opportunity Act.
- Lenders require consumers to meet specific loan-type criteria for loan approval.

Take a look back at your notes for these items:

- Financing types and mortgage loan components
- FHA, VA, and rural development financing
- The role of mortgage insurance
- Indiana's Housing and Community Development Authority loan program types and criteria
- Relationship between lien theory or title theory and foreclosure processes
- Consumer alternatives to foreclosure