**Reaffirmation.** An agreement in the bankruptcy process to pay back a debt that would otherwise be discharged in bankruptcy. Most reaffirmation agreements are a bad idea.

**Real Estate Settlement Procedures Act (RESPA).** The purpose of this federal law is to protect consumers from unnecessarily high settlement charges and certain abusive practices that have developed in the residential real estate market. The law requires disclosures before and at the closing as well as periodically throughout the term of the mortgage loan.

**Redeem.** Recovering collateral from a creditor by paying the entire amount you owe whether past-due or not.

**Refinancing.** The process of paying back old debts by borrowing new money either from an existing creditor or a new creditor.

**Refund Anticipation Loan.** See tax refund anticipation loans.

**Reinstatement.** The process of remedying a default so that the lender will treat you as if you had never fallen behind. See curing a default.

**Rent to Own.** Rent-to-own companies “rent” merchandise to a consumer for a stated period, after which the consumer owns the merchandise. A consumer pays much more than the value of the merchandise under a typical contract.

**Reorganization (Chapter 13 Bankruptcy).** This is a bankruptcy process to get relief from debts by making court-supervised payments over a period of time. The alternative is usually liquidation under chapter 7.

**Replevin.** The legal process in which a creditor seeks to recover personal property on which it claims a lien. Replevin is often threatened, but rarely occurs.

**Repossession, often called “self-help repossession.”** Seizure by the creditor of collateral after the debtor’s default, usually without court supervision or permission. Repossession is most common in connection with car loans.

**Rescission.** A right under some laws to cancel a contract or loan. The most common example of rescission arises in home equity loans and transactions to refinance a home loan. You have the right to rescind that loan within the first three business days after the loan is signed. In some cases, if the creditor has violated the law, your right to rescind may continue after the three-day period is up.

**Retaliatory Eviction.** An eviction where a landlord seeks to punish a tenant for exercising his or her legal rights (such as complaining to the building inspector or forming a tenant’s organization).

**Reverse Mortgage.** A refinancing option usually available only to older homeowners who have built up substantial equity in their property. In a reverse mortgage, money is drawn based on the value of the property without an immediate repayment obligation, because the lender expects repayment by sale of the property at some point in the future.

**Satisfaction.** This is a legal document that states that a debt has been fully paid or that partial payment has been accepted as payment in full. A satisfaction is a type of discharge.

**Secured Credit Cards.** A credit card for which the card issuer requires that the card holder place a certain amount of money in a bank account with the card issuer. If the debtor does not repay the credit card, the card issuer can seize the money in the bank account.

**Secured Creditor.** Any creditor that has collateral for a debt.

**Secured Debt.** A debt for which the creditor has collateral in the form of a mortgage, lien, or security interest in certain items of property. The creditor can seize the property (collateral) if the debtor defaults in repayment of the debt.

**Security Interest.** See lien.

**Self-Help Repossession.** This is a process by which a creditor that has taken property as collateral can repossess the property without first getting court permission.
Servicer. See mortgage servicer.

Settlement. The closing of a mortgage loan. Also, the delivery of a loan or security to the buyer.

Settlement Statement (the “HUD-1”). The Real Estate Settlement Procedures Act requires lenders to give this disclosure at closing or one day in advance of closing if the consumer requests it. It should be the final statement of settlement costs.

Short Sale. A type of pre-sale in which the creditor agrees to let you sell property (usually real estate) for less than the full amount owed and to accept the proceeds of the sale as full satisfaction of the debt.

State Law. A law passed by an individual state that only applies to transactions in that state.

Statute. Another word for a law passed by a state or federal legislative body. Laws enacted by local entities, such as city councils, usually are called ordinances.

Subpoena. A document that is normally issued by a court in connection with a lawsuit, and that directs your attendance in a court or law office at a particular time. A subpoena may require production of documents related to the case.

Subprime Loan. A loan that is more expensive than a comparable prime loan. Subprime lending is generally defined as less than prime lending. This type of lending is designed to provide credit to borrowers with no credit history or past credit problems at a higher cost than conventional loans. Most of the predatory loans occur in the subprime market.

Summons, also called “original notice” or “notice of suit.” This is a document that is provided at the beginning of the lawsuit to tell the defendant what is being requested and what must be done to respond to the complaint. The term “summons” is also sometimes used interchangeably with subpoena for other legal papers that direct a person to be at a particular place at a particular time.

Tax Refund Anticipation Loan. A loan to the debtor to be repaid out of the debtor’s tax refund. The refund is often then sent directly to the lender. These loans can be very expensive.

Trustee. A trustee is a person or business that is responsible for managing assets for others. In bankruptcy, the trustee is a person appointed to administer the bankruptcy case and its assets to maximize the recovery for unsecured creditors.

Truth in Lending Act. A federal (national) law that requires that most lenders, when they make a loan, provide standard form disclosures of the cost and payment terms of the loan.

Underwriting. The process of applying established lending criteria to the qualifications of a particular loan applicant.

Unsecured Creditor. A creditor that has no collateral for the debt owed.

Unsecured Debt. A debt that does not involve collateral.

Usury. The practice of lending and charging the borrower interest, especially at an exorbitant or illegally high rate.

Variable Rate. Interest rate that changes periodically in relation to an “index.”

Variable-Rate Mortgage. This is a mortgage loan on which the interest rate can change over time. The changes can affect the amount of your monthly payments.

Wage Assignment. An agreement to have wages paid to a person other than yourself. For example, some people assign a portion of their wages to be paid directly to cover a credit union bill.

Wage Garnishment. Garnishment of the debtor’s wages from the debtor’s employer.

Warranty. Goods or services you purchase contain explicit and/or implicit promises (called “warranties”) that the goods or services sold will meet certain standards. A seller’s failure to live up to warranties often can be a defense to repayment of the debt.

Workout. This term covers a variety of negotiated agreements you might arrange with creditors to address a debt you are
having trouble paying. Most commonly, the term is used with respect to agreements with a mortgage lender to restructure a loan to avoid foreclosure.

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