

Appendix A: Glossaries and Housing Terminology

THE NAME GAME: HOUSING-RELATED ACRONYMS AND TERMS

AHP: Affordable Housing Program. A federal program through which **Federal Home Loan Banks (FHLBanks)** provide low-cost advances and direct subsidies to member banks to finance the purchase, construction, and rehabilitation of owner-occupied housing for low- and moderate-income households.

CalHome: CalHome is a program of the **California Department of Housing and Community Development (HCD)** that provides grants to local public agencies and nonprofit developers. The grants are used to assist individual households through loans with deferred payments. CalHome also provides direct, forgivable loans to assist development projects involving multiple ownership units, including single-family subdivisions.

CDBG: Community Development Block Grant. A grant program administered by the **U.S. Department of Housing and Urban Development (HUD)** that provides federal grants directly to larger urban cities and counties for activities that benefit low- and moderate-income individuals, eliminate blight, or address a serious and immediate threat to public health and welfare. States distribute CDBG funds to smaller cities and towns. Grant amounts are determined by a formula based upon need.

CEQA: California Environmental Quality Act. A state law requiring state and local agencies to assess the environmental impacts of public or private projects they undertake or permit. Agencies must mitigate adverse impacts of the project to the extent feasible. If a proposed activity has the potential for a significant adverse environmental impact, an **Environmental Impact Report (EIR)** must be prepared and certified as legally adequate by the public agency before taking action on the proposed project.

CHAS: Comprehensive Housing Affordability Strategy. A plan prepared by state or local agencies as a prerequisite for receiving assistance under certain **U.S. Department of Housing and Urban Development (HUD)** programs.

CHDO: Community Housing Development Organization. A private nonprofit organization certified by the state that meets federal criteria to receive **HOME Investment Partnership Program (HOME)** funds. A minimum of 15 percent of total **HOME** funds provided to each state are reserved for CHDOs.

CHFA: California Housing Finance Agency. A state agency that issues tax-exempt bonds to provide below-market rate loans for affordable rental housing and to assist first-time homebuyers.

COG: Council of Governments. A single or multi-county entity created by a joint powers agreement. COGs are responsible for determining the share of the regional need for housing for each of the counties and cities within the COG's region. In most cases, the COG also serves as the **Regional Transportation Planning Agency (RTPA)** responsible for preparing regional transportation plans and expenditure programs.

CRLA: California Rural Legal Assistance, Inc. A statewide nonprofit organization that advocates on behalf of the rural poor.

DFEH: Department of Fair Employment and Housing. A state agency responsible for enforcing laws prohibiting discrimination in employment, housing and public accommodations. See also **FEHA**.

EHAP: Emergency Housing Assistance Program. A program of the **California Department of Housing and Community Development (HCD)** that provides grants to local agencies and nonprofit organizations. The grants are used to operate emergency shelters, transitional housing projects, and supportive services for homeless individuals and families.

EIR: Environmental Impact Report. A document required by the **California Environmental Quality Act (CEQA)** when an agency determines that a project may have a significant effect on the environment. An EIR evaluates a proposed project's impacts on the environment, and recommends mitigation measures to reduce or eliminate those impacts. Decision-makers use information in an EIR to help determine whether or not to approve a project.

Extremely Low-Income Household: A household with an annual income no greater than 30 percent of the area median family income adjusted by household size. See also **Very Low-Income Household**.

FEHA: Fair Employment and Housing Act. A state statute that 1) prohibits discrimination and harassment in all aspects of housing (including sales and rentals, evictions, terms and conditions, mortgage loans and insurance, and land use and zoning); 2) requires housing providers to reasonably accommodate persons with disabilities; and 3) prohibits retaliation against any person who tries to exercise these rights.

FESG: Federal Emergency Shelter Grant. A program of the **U.S. Department of Housing and Urban Development (HUD)** that makes grants to state and local agencies to provide homeless persons with basic shelter and essential support services.

FHA: Federal Housing Administration. An agency within the **U.S. Department of Housing and Urban Development (HUD)**. FHA insures mortgages made by FHA-approved lenders for single-family and multifamily homes including manufactured homes.

FHLBanks: Federal Home Loan Banks. The 12 regional Federal Home Loan Banks provide their member financial institutions funds for mortgages and community lending. Lenders eligible for membership include savings banks, savings and loan associations, cooperative banks, commercial banks, credit unions, and insurance companies that are active in housing finance. The Federal Home Loan Banks contribute the greater of 10 percent of their net income or \$100 million for grants and rate-subsidized loans for housing serving very low- to moderate-income families and individuals. Federal Home Loan Banks are government-sponsored enterprises, federally chartered but privately capitalized and independently managed.

FHLMC/"Freddie Mac": Federal Home Loan Mortgage Corporation. A stockholder-owned corporation chartered by Congress to increase the supply of funds that mortgage lenders can make available to homebuyers and investors in multifamily housing projects. Freddie Mac buys mortgages from lenders (such as commercial banks, mortgage bankers, savings institutions and credit unions) then packages the mortgages into guaranteed securities and sells the securities to investors. Mortgage lenders use the proceeds from selling loans to Freddie Mac to fund new mortgages.

FMR: Fair Market Rent. Rent estimates set each year by the **U.S. Department of Housing and Urban Development (HUD)**. In the **Section 8 Rental Assistance Program** the Fair Market Rent is the basis for determining the maximum monthly subsidy for an assisted family. In general, the Fair Market Rent for an area is the amount that would be needed to pay the gross rent (shelter rent plus utilities) of privately-owned, decent, and safe rental housing of a modest (non-luxury) nature with suitable amenities.

FMV: Fair Market Value. The price that a property would sell for on the open market between a willing buyer and a willing seller. FMV assumes both buyer and seller act freely and have reasonable knowledge of the relevant facts.

FNMA/"Fannie Mae": Federal National Mortgage Association. A company that offers banks and other mortgage lenders financing, credit guarantees, technology and services that enable lenders to make more home loans to consumers at favorable rates and terms. First established in 1938 as a government agency, Fannie Mae in 1968 became a private, shareholder-owned company with a charter from Congress to support the housing finance system.

FTHB: First-time homebuyer assistance, usually in the form of below-market-rate mortgages or grants to assist with down payments. Many local agencies offer homebuying programs and homeownership education classes and training.

GNMA/"Ginnie Mae": Government National Mortgage Association. A government-owned corporation within the **U.S. Department of Housing and Urban Development (HUD)** that promotes the availability of mortgage credit to low- and moderate-income homebuyers by creating a secondary market for the sale and purchase of residential mortgages.

HCD: California Department of Housing and Community Development. A state agency that administers state housing programs. HCD also administers the federal **HOME** and **CDBG** programs on behalf of jurisdictions that are not directly assisted by HUD.

HOME: HOME Investment Partnership Program (not a traditional acronym). A federal housing program that provides formula grants to states and localities. Communities use the grants (often in partnership with local nonprofit groups) to fund a wide range of activities. These include building, buying, or rehabilitating affordable housing for renters and homeowners, and providing direct rental assistance to low-income people.

HUD: U.S. Department of Housing and Urban Development. A federal, cabinet-level department responsible for overseeing, implementing and administering U.S. government housing and urban development programs.

Inclusionary Zoning: A locally-adopted regulatory program that requires that a specific percentage of housing units in a project or development remain affordable to very low- and low-income households for a specified period. Often requires a minimum percentage of housing for low- and moderate-income households in new housing developments and in conversions of rental apartments to condominiums.

Infill Development: Development of vacant or underutilized land (usually individual lots or leftover properties) within areas that are already largely developed.

Infrastructure: Public facilities and services like sewage disposal systems, water-supply systems, other utility systems, schools, and roads.

Jobs/Housing Balance: A balance within a given area between the number and types of jobs with the amount and cost of housing.

Land Banking: The purchase of land by a local agency for use or resale at a later date. Banked lands have been used for development of low- and moderate-income housing, expansion of parks, and development of industrial and commercial centers.

LIHTC: Low Income Housing Tax Credit Program. A federal housing subsidy program that gives tax credits or reductions in federal income tax liability as incentives for investment in affordable housing projects. The owners of LIHTC projects receive tax credits each year for 10 years. The program is often used by limited partnerships made up of nonprofit developers that build and manage the projects (general partners) and for-profit passive investors (limited partners) who receive shares of the project's tax credits. The federal government allocates tax credit amounts to states based on population. In California, tax credits are awarded by the **California Tax Credit Allocation Committee (CTCAC)** in the State Treasurer's Office.

Linkage: The practice of offsetting the impact of employment on the need for housing within a community by conditioning approval of a project on the provision of housing units or the payment of an equivalent in-lieu fee. A linkage program must demonstrate a nexus (cause-and-effect relationship) between a new commercial or industrial development and the increased demand for housing.

Low-Income Household: A household with an annual income that ranges over 50 percent of area median family income to 80 percent of area median family income, adjusted by household size. The income levels are determined from a survey of incomes conducted by a city or a county, or in the absence of such a survey, based on the latest available eligibility limits established by the **U.S. Department of Housing and Urban Development** for the **Section 8 Rental Assistance Program**.

Low-Income Housing Tax Credits: Tax reductions provided by the federal and state governments for investors in developments that provide housing for low-income households.

LTV: Loan-To-Value Ratio. 1) The percentage of a property's value that a lender can or will loan to a borrower. For development projects, the ratio may apply to the anticipated value on completion. 2) The relationship between the amount of a mortgage loan and the value of the collateral property, expressed as a percentage.

Manufactured Housing: Residential structures built to federal standards that are constructed entirely in the factory and transported to the home site. Such structures have been regulated by the **U.S. Department of Housing and Urban Development (HUD)** since the 1970s.

MHP: Multifamily Housing Program. A California program that provides low-interest loans to affordable housing developments.

Mixed-Use: Properties on which various uses such as office, commercial, institutional, and residential are combined in an integrated development project with significant functional interrelationships and a coherent physical design. Mixed-use projects can be placed in a single building or on a single site. A "single site" may include contiguous properties.

Mobilehome: A structure, transportable in one or more sections, built on a permanent chassis and designed for use as a single-family dwelling unit. According to federal standards, a mobilehome must: (1) have a minimum of 400 square feet of living space; (2) have a minimum width in excess of 102 inches; (3) be connected to all available permanent utilities; and (4) be tied down either to a permanent foundation on a lot either owned or leased by the homeowner or be set on piers, with wheels removed and skirted, in a mobilehome park.

Moderate-Income Household: A household with an annual income that ranges between the lower income eligibility limits established by the **U.S. Department of Housing and Urban Development (HUD)** for the **Section 8 Rental Assistance Program** (generally over 80 percent of the area median income) and 120 percent of the area median family income.

Modular Unit: Also called "factory-built housing." A factory-fabricated, transportable building or major component designed for use singly or for incorporation with similar units on site into a structure for residential, commercial, educational, or industrial use. Unlike **mobile homes** and **manufactured housing**, modular units are subject to state standards. California standards are more restrictive than federal standards in some respects (for example, plumbing and energy conservation).

Multiple-Family Residential: Commonly called "multifamily housing." A type of housing that has several residential units in one or more structures on a parcel or parcels of land. Examples of multiple-family residential housing include duplexes, fourplexes, condominiums and apartments.

PDLP: Predevelopment Loan Program. A program of the **California Department of Housing and Community Development (HCD)** that provides capital to finance the initial stages of low-income housing projects.

PHA: Public Housing Agency. An agency created by state or local agencies and eligible to receive federal funds to finance or operate low-income housing.

PMI: Private Mortgage Insurance. Insurance payable to a lender in the case that the borrower is not able to repay the loan and the lender is not able to recover its costs after foreclosing on the loan and selling the mortgaged property.

Preserved Housing Unit: An affordable (usually subsidized) housing unit that was threatened with demolition or conversion to market rents through termination of subsidies, but which is preserved as an affordable unit through purchase, renewed subsidy or rehabilitation.

RDA: Redevelopment Agency. An agency created pursuant to state law to promote the redevelopment of blighted areas. RDAs receive an increment of property taxes. A minimum of twenty percent of the tax increment must be set aside to provide for low- and moderate-income housing.

REIT: Real Estate Investment Trust. A real estate investment mutual fund. Such trusts do not pay corporate income tax so long as they invest only in properties and mortgages.

RHNA: Regional Housing Needs Assessment. A determination by a **council of governments (COG)** (or by the **California Department of Housing and Community Development (HCD)**) of the existing and projected need for housing within a region. The RHNA numerically allocates the future housing need by household income group for each locality within the region. This housing allocation must be reflected in the locality's housing element of the general plan.

RTPA: Regional Transportation Planning Agency, a state designated agency (multi-county or county-level agency) responsible for regional transportation planning to meet state planning mandates.

Section 8 Rental Assistance Program: A federal rent-subsidy program that provides housing vouchers to assist very low-income families, the elderly, and the disabled to afford housing in the private market. Housing choice vouchers are administered locally by **Public Housing Agencies (PHAs)**. A housing subsidy is paid to the landlord directly by the PHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program. The program is administered by the **U.S. Department of Housing and Urban Development (HUD)**.

SRO: Single Room Occupancy. A type of residential hotel offering one-room units for long-term occupancy by one or two people. SROs may have a kitchen or bath facilities (but not both) in the room. In most locations, SROs are the lowest-cost type of standard permanent housing.

Substantial Rehabilitation: Repair, preservation or improvement of a dwelling unit, the value of which is at least 25 percent of the after-rehabilitation value of the dwelling unit, including land value.

Sustainability: Community use of natural resources in a way that does not jeopardize the ability of future generations to live and prosper.

Sustainable Development: Development that maintains or enhances equity, economic opportunity, and community well-being while protecting and restoring the natural environment upon which people and economies depend. Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs.

TCAC: Tax Credit Allocation Committee. A committee charged with administering state and federal low-income housing tax credit programs. The committee's voting members consist of the state treasurer, the state controller and the governor or the director of the Department of Finance.

Transitional Housing: Shelter provided to the homeless for an extended period (often as long as 18 months), generally accompanied by social services and counseling programs to assist in the transition to self-sufficiency through the acquisition of a stable income and permanent housing.

Transit-Oriented Development (TOD): Moderate- to higher-density development, located within easy walk of a major transit stop. TOD generally has a mix of residential, employment, and shopping opportunities designed for pedestrians. TOD can be new construction or redevelopment of one or more buildings whose design and orientation facilitate transit use.

Urban Growth Boundary/UGB: An officially adopted and mapped line separating land to be developed from land to be protected for natural or rural uses. Urban growth boundaries (also called urban limit lines) are regulatory tools, often designated for long periods of time (20 or more years) to provide greater certainty for both development and conservation goals.

Very Low-Income Household: A household with an annual income no greater than 50 percent of the area median family income adjusted by household size, as determined by a survey of incomes conducted by a city or a county, or in the absence of such a survey, based on the latest available eligibility limits established by the **U.S. Department of Housing and Urban Development (HUD)** for the **Section 8 Rental Assistance Program**. The statutory definition of "very low-income household" includes "extremely low-income household."

CHAPTER 3

DEFINITIONS

This Chapter assembles in one location all of the definitions of “general applicability” that are used in the *Legislative Guidebook*. Specific definitions that are pertinent only to particular model statutes are located in their applicable Chapters. The reader is therefore urged to consult the individual Chapters before relying on any definitions contained in this Chapter.

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Chapter Outline

3-101 Definitions

Cross-References for Sections in Chapter 3

Section No.	Cross-Reference to Section No.
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3-101	4-204, 6-101 <i>et seq.</i> , 6-201, 6-601, 6-602, 7-103
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THE NEED FOR DEFINITIONS

Definitions have a number of functions. First, they establish with precision the meaning of a word or phrase that might be subject to diverse interpretations or that might be ambiguous or unclear; in other words, definitions promote internal consistency.¹ This is particularly true for planning legislation that contains many terms, such as “affordable housing,” and “development,” about which there may be several connotations. Second, they simplify the text and eliminate the need to explain the term repeatedly. Third, they translate technical terms into meaningful and usable terminology.² An example of this might be a definition involving building height. Using the description in the definition of how the height of a building is to be calculated – the points from which measurement is taken – the reader can determine how high the building may be and whether it meets a standard contained in the legislation. Definitions usually appear at the beginning of the model legislation in order to give the reader an “early warning” of terms that are obscure or technical or that may depart from the dictionary definition. **Any words and terms not defined in the *Legislative Guidebook* will have the meaning indicated by common dictionary definition.**

The definitions below are specific to words and phrases contained in the *Guidebook*. As a consequence, the user is **strongly cautioned** against modifying them without a full understanding of the particular context in the *Guidebook* in which they were meant to be applied.

3-101 Definitions

As used in these Acts, the following words and terms shall have the meanings specified herein:

“Affordable Housing” means housing that has a sales price or rental amount that is within the means of a household that may occupy middle-, moderate-, or low-income housing. In the case of dwelling units for sale, housing that is affordable means housing in which mortgage, amortization, taxes, insurance, and condominium or association fees, if any, constitute no more than [28] percent of such gross annual household income for a household of the size which may occupy the unit in question. In the case of dwelling units for rent, housing that is affordable means housing for which the rent and utilities constitute no more than [30] percent of such gross annual household income for a household of the size which may occupy the unit in question.³

¹Lawrence E. Filson, *The Legislative Drafter's Desk Reference* (Washington, D.C.: Congressional Quarterly, 1992), 22-23.

²Harvey S. Moskowitz and Carl G. Lindbloom, *The New Illustrated Book of Development Definitions* (New Brunswick, N.J.: Center for Urban Policy Research, 1993), xvii-xviii.

³As used in the *Legislative Guidebook*, “affordable housing” also means housing that has some type of subsidy associated with it (see definition of “subsidy” or “subsidized” later in this Chapter). See also “affordable housing development” below. It should be acknowledged that much privately constructed housing, constructed without any

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“Affordable Housing Developer” means a nonprofit entity, limited equity cooperative, public agency, or private individual firm, corporation, or other entity seeking to build an affordable housing development.

“Affordable Housing Development” means any housing that is subsidized by the federal, state, or local government, or any housing in which at least [20] percent of the dwelling units are subject to covenants or restrictions which require that such dwelling units be sold or rented at prices which preserve them as affordable housing for a period of at least [15] years.⁴

“Agriculture” or **“Agricultural Use”** means the employment of land for the primary purpose of obtaining a profit in money by raising, harvesting, and selling crops, or feeding (including grazing), breeding, managing, selling, or producing livestock, poultry, fur-bearing animals or honeybees, or by dairying and the sale of dairy products, by any other horticultural, floricultural or viticultural use, by animal husbandry, or by any combination thereof. It also includes the current employment of land for the primary purpose of obtaining a profit by stabling or training equines including, but not limited to, providing riding lessons, training clinics and schooling shows.

“Agricultural Land” means land on which the land use of agriculture occurs.

“Areawide” or **“Regional”** means the geographic territory that encompasses the whole area of influence of a program or impact of a problem to be addressed, usually transcending the boundaries of any single unit of local government.

“Buildable Land” mean land within urban and urbanizable areas that is suitable, available, and necessary for residential, commercial, and industrial uses, and includes both vacant land and developed land that, in the opinion of the local planning agency, is likely to be redeveloped.

“Capital Improvement” means any building or infrastructure project that will be owned by a governmental unit and purchased or built with direct appropriations from the governmental unit, or with bonds backed by its full faith and credit, or, in whole or in part, with federal or other public funds, or in any combination thereof. A project may include construction, installation, project management or supervision, project planning, engineering, or design, and the purchase of land or interests in land.

“Comprehensive Plan, Local” means the adopted official statement of a legislative body of a local government that sets forth (in words, maps, illustrations, and/or tables) goals, policies, and guidelines intended to direct the present and future physical, social, and economic development that occurs within its planning jurisdiction and that includes a unified physical design for the public and private development of land and water.

subsidy, may also be affordable to middle-, moderate-, and low-income housing.

⁴This definition is used in connection with Section 4-208.1 *et seq.* (Alternative 2 – Application for Affordable Housing Development; Affordable Housing Appeals).

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“Comprehensive Plan, Regional” means that plan prepared pursuant to Section [6-201] and adopted by a [regional planning agency].

“Context-Sensitive Highway Design” means the application to roadways of design criteria that take into account, in addition to road safety, durability, and economy of maintenance:

- (a) the built and natural environment surrounding the roadway, including environmental, scenic, and historic attributes of the area; and
- (b) interaction with other modes of transportation, including but not limited to walking, bicycling, and public transportation.

“Density” or “Net Density” means the result of:

- (a) dividing the total number of dwelling units existing on a housing site by the net area in acres; or
- (b) multiplying the net area in acres times 43,560 square feet per acre and then dividing the product by the required minimum number of square feet per dwelling unit.

“Density” or “Net Density” is expressed as dwelling units per acre or per net acre.

“Development” means any building, construction, renovation, mining, extraction, dredging, filling, excavation, or drilling activity or operation; any material change in the use or appearance of any structure or in the land itself; the division of land into parcels; any change in the intensity or use of land, such as an increase in the number of dwelling units in a structure or a change to a commercial or industrial use from a less intensive use; any activity that alters a shore, beach, seacoast, river, stream, lake, pond, canal, marsh, dune area, woodlands, wetland, endangered species habitat, aquifer or other resource area, including coastal construction or other activity.

“Development of Regional Impact” or “DRI” means any development that, because of its character, magnitude, or location, would have substantial effect upon the health, safety, welfare, or environment or more than one unit of local government.

“Development Permit” means any written approval or decision by a local government under its land development regulations that gives authorization to undertake some category of development, including, but not limited to, a building permit, zoning permit, final subdivision plat, minor subdivision, resubdivision, conditional use, variance, appeal decision, planned unit development, site plan, [and] certificate of appropriateness[.], and zoning map amendment(s) by the legislative body]. “Development permit” does not mean the adoption or amendment of a local comprehensive plan or any subplan, the adoption or amendment of the text of land development regulations, or a liquor license or other type of business license.

“Forest” means a tract or tracts of contiguous trees or tree stands.

“Forest Land” means land on which the land use of forestry occurs.

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“Forestry” or “Forest Operations” means the growing or harvesting of forest tree species trees used for commercial or related purposes.

“Goal” means a desired state of affairs to which planned effort is directed.

“Guideline” means an agency statement or a declaration of policy that the agency intends to follow, which does not have the force or effect of law and that binds the agency but does not bind any other person.

“Housing Region” means that geographic area that exhibits significant social, economic, and income similarities, and which constitutes to the greatest extent practicable, the applicable primary metropolitan statistical area as last defined and delineated by the United States Census Bureau.

“Household” means the person or persons occupying a dwelling unit.

“Inclusionary Development” means a development containing [at least 20 percent] low- and moderate-income dwelling units. This term includes, but is not necessarily limited to, the creation of new low- and moderate-income dwelling units through new construction, the conversion of a nonresidential structure to a residential structure, and/or the gut rehabilitation of a vacant residential structure.⁵

“Land Development Regulations” mean any zoning, subdivision, impact fee, site plan, corridor map, floodplain or stormwater regulations, or other governmental controls that affect the use, density, or intensity of land.

“Legislative Body” means the governing body of a local government with the power to adopt ordinances, regulations, and other documents that have the force of law.

“Level of Service” means an indicator of the extent or degree of service provided by, or proposed to be provided by, a public facility based on and related to the operational characteristics of the facility. “Level of service” shall indicate the capacity per unit of demand for each public facility.

“Local Government” or “Unit of Local Government” means any county, municipality, village, town, township, borough, city, or other general purpose political subdivision.

“Local Planning Agency” means an agency designated or established as such by the legislative body, which may be constituted as a local planning commission, a community development department, a planning department, or some other instrumentality as having the powers of Section [7-103] of this act..

“Local Planning Commission” means a board of the local government consisting of such [elected and appointed or appointed] members whose functions include advisory or nontechnical aspects of planning and

⁵This definition is used in connection with Section 4-208.1 *et seq.* (Alternative 1 – A Model Balanced and Affordable Housing Act).

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may also include such other powers and duties as may be assigned to it by the legislative body, pursuant to this act.

“Low-Income Housing” means housing that is affordable, according to the federal Department of Housing and Urban Development, for either home ownership or rental, and that is occupied, reserved, or marketed for occupancy by households with a gross household income that does not exceed 50 percent of the median gross household income for households of the same size within the housing region in which the housing is located.

“Middle-Income Housing” means housing that is affordable for either home ownership or rental, and that is occupied, reserved, or marketed for occupancy by households with a gross household income that is greater than 80 percent but does not exceed *[specify a number within a range of 95 to 120]* percent of the median gross household income for households of the same size within the housing region in which the housing is located.

- ◆ While the definitions of low-income and moderate-income housing are specific legal terms based on federal legislation and regulations, this term is intended to signify in a more general manner housing that is affordable to the great mass of working Americans. Therefore, the percentage may be amended by adopting legislatures to fit the state’s circumstances.

“Moderate-Income Housing” means housing that is affordable, according to the federal Department of Housing and Urban Development, for either home ownership or rental, and that is occupied, reserved, or marketed for occupancy by households with a gross household income that is greater than 50 percent but does not exceed 80 percent of the median gross household income for households of the same size within the housing region in which the housing is located.

“Net Area” means the total area of a site for residential or nonresidential development, excluding street rights of way and other publicly dedicated improvements such as parks, open space, and stormwater detention and retention facilities. “Net area” is expressed in either acres or square feet.

“New Fully Contained Community” means a development proposed for location outside of existing designated urban growth areas and that will be characterized by urban growth.

“Non-profit Conservation Organization” means an entity that holds, in fee simple or in easement, land for conservation purposes.

“Plan” means a document, adopted by an agency, that contains, in text, maps, and/or graphics, a method of proceeding, based on analysis and the application of foresight, to guide, direct, or constrain subsequent actions, in order to achieve goals. A plan may contain goals, policies, guidelines, and standards.

“Policy” means a general rule for action focused on a specific issue, derived from more general goals.

“Regional Planning Agency” means an organization engaged in areawide comprehensive and functional planning organized under Section [6-101, *et seq.*].

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“Scenic” means of or pertaining to natural features of the landscape that are visually significant or unique.

“Scenic Corridor” or **“Scenic Viewshed”** means an area visible from a highway, waterway, railway or major hiking, biking, or equestrian trail that provides vistas over water, across expanses of land, such as farmlands, woodlands, or coastal wetlands, or from mountaintops or ridges.

“Scenic Highway” includes scenic byways pursuant to 23 U.S.C. §162 as amended.

“Special District” means a local or areawide unit of special government, except school districts, created pursuant to general or special law for the purpose of performing specialized functions within an area’s boundaries.

“Standard” means a criterion that defines the meaning of a policy by providing a way to measure its attainment.

“State Agency” means any department, commission, board, or other administrative unit of state government.

“State Capital Budget” means the [annual or biennial] budget for capital improvements proposed by the governor and adopted by the state legislature.

“State Capital Improvement Program” means the [5]-year schedule of capital improvements for the state, the first [year or 2 years] of which is the capital budget. The capital improvement program is a proposed plan of expenditures and, except for the capital improvements included in the capital budget, shall not constitute an obligation or promise by the state to undertake projects or appropriate funds for any project in years [2 to 5 or 3 to 5] of the schedule.

“State Planning Agency” means the [insert name of state planning agency].

“Subsidy” or **“Subsidized”** means or refers to a federal, state, or local grant or aid that is extended to the construction or rehabilitation of housing for which a public interest in ensuring that it is affordable is imputed. A subsidy may include, but shall not be limited to: a payment in money; a donation of land or infrastructure; financing assistance or guarantees; a development or impact fee exemption; tax credits; full or partial property tax exemption; or a density bonus or other regulatory incentive to a market rate housing development in order to provide low- and moderate-income housing.. A subsidy shall not include federal home mortgage interest deductions.

“Substate District” means the geographic area within each set of boundaries delineated by the governor under Section [6-601].

“Substate District Organization” means a [regional planning agency] designated by the governor pursuant to Section [6-602] to perform areawide comprehensive and functional planning and other multijurisdictional responsibilities authorized by statute, agreement, interstate compact, or delegation by the governor.

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“Telecommunications” means any origination, creation, transmission, emission, storage-retrieval, or reception of signs, signals, writing, images, sounds, or intelligence of any nature, by wire, radio, television, optical, or other means.

“Telecommunications Facility” means any facility that transmits and/or receives signals by electromagnetic or optical means, including antennas, microwave dishes, horns, or similar types of equipment, towers or similar structures supporting such equipment, and equipment buildings.

“Unnecessary Cost Generating Requirements” mean those development standards that may be eliminated or reduced that are not essential to protect the public health, safety, or welfare or that are not critical to the protection or preservation of the environment, and that may otherwise make a project economically infeasible. An unnecessary cost generating requirement may include, but shall not be limited to, excessive standards or requirements for: minimum lot size, building size, building setbacks, spacing between buildings, impervious surfaces, open space, landscaping, buffering, reforestation, road width, pavements, parking, sidewalks, paved paths, culverts and stormwater drainage, and oversized water and sewer lines to accommodate future development, without reimbursement.

“Urban Growth” means development that makes intensive use of land for the location of buildings, other structures, and impermeable surfaces to such a degree as to be incompatible with the primary use of such land for the production of food, fiber, or other agricultural products, or the extraction of mineral resources and that, when allowed to spread over wide areas, typically requires urban services.

“Urban Growth Area” means an area delineated in an adopted [regional or county] comprehensive plan [in accordance with the goals, policies, and guidelines in the state land development plan, prepared pursuant to Section [4-204]] within which urban development is encouraged by delineation of the area, compatible future land-use designations, and implementing actions in a local comprehensive plan, and outside of which urban development is discouraged. An urban growth area shall allow existing or proposed land uses at minimum densities and intensities sufficient to permit urban growth that is projected for the [region or county] for the succeeding [20]-year period and existing or proposed urban services to adequately support that urban growth.

“Urban Growth Boundary” means a perimeter drawn around an urban growth area.

“Urban Services” mean those activities, facilities, and utilities that are provided to urban-level densities and intensities to meet public demand or need and that, together, are not normally associated with nonurban areas. Urban services may include, but are not limited to: the provision of sanitary sewers and the collection and treatment of sewage; the provision of water lines and the pumping and treatment of water; fire protection; parks, recreation, and open space; streets and roads; mass transit; and other activities, facilities, and utilities of an urban nature, such as stormwater management or flood control.

“Very Low-Income Housing” means housing that is affordable, according to the federal Department of Housing and Urban Development, for either home ownership or rental, and that is occupied, reserved, or marketed for occupancy by households with a gross household income equal to 30 percent or less of the median gross household income for households of the same size within the housing region in which the housing is located.

This page is located on the U.S. Department of Housing and Urban Development's Homes and Communities Web site at <http://www.hud.gov/offices/hsg/sfh/buying/glossary.cfm>.



Glossary

203(b): FHA program which provides mortgage insurance to protect lenders from default; used to finance the purchase of new or existing one- to four family housing; characterized by low down payment, flexible qualifying guidelines, limited fees, and a limit on maximum loan amount.

203(k): this FHA mortgage insurance program enables homebuyers to finance both the purchase of a house and the cost of its rehabilitation through a single mortgage loan.

A

Amenity: a feature of the home or property that serves as a benefit to the buyer but that is not necessary to its use; may be natural (like location, Woods, water) or man-made (like a swimming pool or garden).

Amortization: repayment of a mortgage loan through monthly installments of principal and interest; the monthly payment amount is based on a schedule that will allow you to own your home at the end of a specific time period (for example, 15 or 30 years)

Annual Percentage Rate (APR): calculated by using a standard formula, the APR shows the cost of a loan; expressed as a yearly interest rate, it includes the interest, points, mortgage insurance, and other fees associated with the loan.

Application: the first step in the official loan approval process; this form is used to record important information about the potential borrower necessary to the underwriting process.

Appraisal: a document that gives an estimate of a property's fair market value; an appraisal is generally required by a lender before loan approval to ensure that the mortgage loan amount is not more than the value of the property.

Appraiser: a qualified individual who uses his or her experience and knowledge to prepare the appraisal estimate.

ARM: Adjustable Rate Mortgage; a mortgage loan subject to changes in interest rates; when rates change, ARM monthly payments increase or decrease at intervals determined by the lender; the change in monthly payment amount, however, is usually subject to a Cap.

Assessor: a government official who is responsible for determining the value of a property for the purpose of taxation.

Assumable mortgage: a mortgage that can be transferred from a seller to a buyer; once the loan is assumed by the buyer the seller is no longer responsible for repaying it; there may be a fee and/or a credit package involved in the transfer of an assumable mortgage.

B

Balloon Mortgage: a mortgage that typically offers low rates for an initial period of time (usually 5, 7, or 10) years; after that time period elapses, the balance is due or is refinanced by the borrower.

Bankruptcy: a federal law Whereby a person's assets are turned over to a trustee and used to pay off outstanding debts; this usually occurs when someone owes more than they have the ability to repay.

Borrower: a person who has been approved to receive a loan and is then obligated to repay it and any additional fees according to the loan terms.

Building code: based on agreed upon safety standards within a specific area, a building code is a regulation that determines the design, construction, and materials used in building.

Budget: a detailed record of all income earned and spent during a specific period of time.

C

Cap: a limit, such as that placed on an adjustable rate mortgage, on how much a monthly payment or interest rate can increase or decrease.

Cash reserves: a cash amount sometimes required to be held in reserve in addition to the down payment and closing costs; the amount is determined by the lender.

Certificate of title: a document provided by a qualified source (such as a title company) that shows the property legally belongs to the current owner; before the title is transferred at closing, it should be clear and free of all liens or other claims.

Closing: also known as settlement, this is the time at which the property is formally sold and transferred from the seller to the buyer; it is at this time that the borrower takes on the loan obligation, pays all closing costs, and receives title from the seller.

Closing costs: customary costs above and beyond the sale price of the property that must be paid to cover the transfer of ownership at closing; these costs generally vary by geographic location and are typically detailed to the borrower after submission of a loan application.

Commission: an amount, usually a percentage of the property sales price, that is collected by a real estate professional as a fee for negotiating the transaction..

Condominium: a form of ownership in which individuals purchase and own a unit of housing in a multi-unit complex; the owner also shares financial responsibility for common areas.

Conventional loan: a private sector loan, one that is not guaranteed or insured by the U.S. government.

Cooperative (Co-op): residents purchase stock in a cooperative corporation that owns a structure; each stockholder is then entitled to live in a specific unit of the structure and is responsible for paying a portion of the loan.

Credit history: history of an individual's debt payment; lenders use this information to gauge a potential borrower's ability to repay a loan.

Credit report: a record that lists all past and present debts and the timeliness of their repayment; it documents an individual's credit history.

Credit bureau score: a number representing the possibility a borrower may default; it is based upon credit history and is used to determine ability to qualify for a mortgage loan.

D

Debt-to-income ratio: a comparison of gross income to housing and non-housing expenses; With the FHA, the monthly mortgage payment should be no more than 29% of monthly gross income (before taxes) and the mortgage payment combined with non-housing debts should not exceed 41% of income.

Deed: the document that transfers ownership of a property.

Deed-in-lieu: to avoid foreclosure ("in lieu" of foreclosure), a deed is given to the lender to fulfill the obligation to repay the debt; this process doesn't allow the borrower to remain in the house but helps avoid the costs, time, and effort associated with foreclosure.

Default: the inability to pay monthly mortgage payments in a timely manner or to otherwise meet the mortgage terms.

Delinquency: failure of a borrower to make timely mortgage payments under a loan agreement.

Discount point: normally paid at closing and generally calculated to be equivalent to 1% of the total loan amount, discount points are paid to reduce the interest rate on a loan.

Down payment: the portion of a home's purchase price that is paid in cash and is not part of the mortgage loan.

E

Earnest money: money put down by a potential buyer to show that he or she is serious about purchasing the home; it becomes part of the down payment if the offer is accepted, is returned if the offer is rejected, or is forfeited if the buyer pulls out of the deal.

EEM: Energy Efficient Mortgage; an FHA program that helps homebuyers save money on utility bills by enabling them to finance the cost of adding energy efficiency features to a new or existing home as part of the home purchase

Equity: an owner's financial interest in a property; calculated by subtracting the amount still owed on the mortgage loan(s) from the fair market value of the property.

Escrow account: a separate account into which the lender puts a portion of each monthly mortgage payment; an escrow account provides the funds needed for such expenses as property taxes, homeowners insurance, mortgage insurance,

etc.

F

Fair Housing Act: a law that prohibits discrimination in all facets of the homebuying process on the basis of race, color, national origin, religion, sex, familial status, or disability.

Fair market value: the hypothetical price that a willing buyer and seller will agree upon when they are acting freely, carefully, and with complete knowledge of the situation.

Fannie Mae: Federal National Mortgage Association (FNMA); a federally-chartered enterprise owned by private stockholders that purchases residential mortgages and converts them into securities for sale to investors; by purchasing mortgages, Fannie Mae supplies funds that lenders may loan to potential homebuyers.

FHA: Federal Housing Administration; established in 1934 to advance homeownership opportunities for all Americans; assists homebuyers by providing mortgage insurance to lenders to cover most losses that may occur when a borrower defaults; this encourages lenders to make loans to borrowers who might not qualify for conventional mortgages.

Fixed-rate mortgage: a mortgage with payments that remain the same throughout the life of the loan because the interest rate and other terms are fixed and do not change.

Flood insurance: insurance that protects homeowners against losses from a flood; if a home is located in a flood plain, the lender will require flood insurance before approving a loan.

Foreclosure: a legal process in which mortgaged property is sold to pay the loan of the defaulting borrower.

Freddie Mac: Federal Home Loan Mortgage Corporation (FHLM); a federally-chartered corporation that purchases residential mortgages, securitizes them, and sells them to investors; this provides lenders with funds for new homebuyers.

G

Ginnie Mae: Government National Mortgage Association (GNMA); a government-owned corporation overseen by the U.S. Department of Housing and Urban Development, Ginnie Mae pools FHA-insured and VA-guaranteed loans to back securities for private investment; as with Fannie Mae and Freddie Mac, the investment income provides funding that may then be lent to eligible borrowers by lenders.

Good faith estimate: an estimate of all closing fees including pre-paid and escrow items as well as lender charges; must be given to the borrower within three days after submission of a loan application.

H

HELP: Homebuyer Education Learning Program; an educational program from the FHA that counsels people about the homebuying process; HELP covers topics like budgeting, finding a home, getting a loan, and home maintenance; in most cases, completion of the program may entitle the homebuyer to a reduced initial FHA

mortgage insurance premium-from 2.25% to 1.75% of the home purchase price.

Home inspection: an examination of the structure and mechanical systems to determine a home's safety; makes the potential homebuyer aware of any repairs that may be needed.

Home warranty: offers protection for mechanical systems and attached appliances against unexpected repairs not covered by homeowner's insurance; coverage extends over a specific time period and does not cover the home's structure.

Homeowner's insurance: an insurance policy that combines protection against damage to a dwelling and its contents with protection against claims of negligence or inappropriate action that result in someone's injury or property damage.

Housing counseling agency- provides counseling and assistance to individuals on a variety of issues, including loan default, fair housing, and homebuying.

HUD: the U.S. Department of Housing and Urban Development; established in 1965, HUD works to create a decent home and suitable living environment for all Americans; it does this by addressing housing needs, improving and developing American communities, and enforcing fair housing laws.

HUD1 Statement: also known as the "settlement sheet," it itemizes all closing costs; must be given to the borrower at or before closing.

HVAC: Heating, Ventilation and Air Conditioning; a home's heating and cooling system.

I

Index. a measurement used by lenders to determine changes to the interest rate charged on an adjustable rate mortgage.

Inflation: the number of dollars in circulation exceeds the amount of goods and services available for purchase; inflation results in a decrease in the dollar's value.

Interest: a fee charged for the use of money.

Interest rate: the amount of interest charged on a monthly loan payment; usually expressed as a percentage.

Insurance: protection against a specific loss over a period of time that is secured by the payment of a regularly scheduled premium.

J

Judgment: a legal decision; when requiring debt repayment, a judgment may include a property lien that secures the creditor's claim by providing a collateral source.

L

Lease purchase: assists low- to moderate-income homebuyers in purchasing a

home by allowing them to lease a home with an option to buy; the rent payment is made up of the monthly rental payment plus an additional amount that is credited to an account for use as a down payment.

Lien: a legal claim against property that must be satisfied When the property is sold

Loan: money borrowed that is usually repaid with interest.

Loan fraud: purposely giving incorrect information on a loan application in order to better qualify for a loan; may result in civil liability or criminal penalties.

Loan-to-value (LTV) ratio,- a percentage calculated by dividing the amount borrowed by the price or appraised value of the home to be purchased; the higher the LTV, the less cash a borrower is required to pay as down payment.

Lock-in: since interest rates can change frequently, many lenders offer an interest rate lock-in that guarantees a specific interest rate if the loan is closed within a specific time.

Loss mitigation: a process to avoid foreclosure; the lender tries to help a borrower who has been unable to make loan payments and is in danger of defaulting on his or her loan

M

Margin: an amount the lender adds to an index to determine the interest rate on an adjustable rate mortgage.

Mortgage: a lien on the property that secures the Promise to repay a loan.

Mortgage banker: a company that originates loans and resells them to secondary mortgage lenders like :Fannie Mae or Freddie Mac.

Mortgage broker: a firm that originates and processes loans for a number of lenders.

Mortgage insurance: a policy that protects lenders against some or most of the losses that can occur when a borrower defaults on a mortgage loan; mortgage insurance is required primarily for borrowers with a down payment of less than 20% of the home's purchase price.

Mortgage insurance premium (MIP): a monthly payment -usually part of the mortgage payment - paid by a borrower for mortgage insurance.

Mortgage Modification: a loss mitigation option that allows a borrower to refinance and/or extend the term of the mortgage loan and thus reduce the monthly payments.

O

Offer: indication by a potential buyer of a willingness to purchase a home at a specific price; generally put forth in writing.

Origination: the process of preparing, submitting, and evaluating a loan

application; generally includes a credit check, verification of employment, and a property appraisal.

Origination fee: the charge for originating a loan; is usually calculated in the form of points and paid at closing.

P

Partial Claim: a loss mitigation option offered by the FHA that allows a borrower, with help from a lender, to get an interest-free loan from HUD to bring their mortgage payments up to date.

PITI: Principal, Interest, Taxes, and Insurance - the four elements of a monthly mortgage payment; payments of principal and interest go directly towards repaying the loan while the portion that covers taxes and insurance (homeowner's and mortgage, if applicable) goes into an escrow account to cover the fees when they are due.

PMI: Private Mortgage Insurance; privately-owned companies that offer standard and special affordable mortgage insurance programs for qualified borrowers with down payments of less than 20% of a purchase price.

Pre-approve: lender commits to lend to a potential borrower; commitment remains as long as the borrower still meets the qualification requirements at the time of purchase.

Pre-foreclosure sale: allows a defaulting borrower to sell the mortgaged property to satisfy the loan and avoid foreclosure.

Pre-qualify: a lender informally determines the maximum amount an individual is eligible to borrow.

Premium: an amount paid on a regular schedule by a policyholder that maintains insurance coverage.

Prepayment: payment of the mortgage loan before the scheduled due date; may be Subject to a prepayment penalty.

Principal: the amount borrowed from a lender; doesn't include interest or additional fees.

R

Radon: a radioactive gas found in some homes that, if occurring in strong enough concentrations, can cause health problems.

Real estate agent: an individual who is licensed to negotiate and arrange real estate sales; works for a real estate broker.

REALTOR: a real estate agent or broker who is a member of the NATIONAL ASSOCIATION OF REALTORS, and its local and state associations.

Refinancing: paying off one loan by obtaining another; refinancing is generally done to secure better loan terms (like a lower interest rate).

Rehabilitation mortgage: a mortgage that covers the costs of rehabilitating

(repairing or improving) a property; some rehabilitation mortgages - like the FHA's 203(k) - allow a borrower to roll the costs of rehabilitation and home purchase into one mortgage loan.

RESPA: Real Estate Settlement Procedures Act; a law protecting consumers from abuses during the residential real estate purchase and loan process by requiring lenders to disclose all settlement costs, practices, and relationships

S

Settlement: another name for closing .

Special Forbearance: a loss mitigation option where the lender arranges a revised repayment plan for the borrower that may include a temporary reduction or suspension of monthly loan payments.

Subordinate: to place in a rank of lesser importance or to make one claim secondary to another.

Survey: a property diagram that indicates legal boundaries, easements, encroachments, rights of way, improvement locations, etc.

Sweat equity: using labor to build or improve a property as part of the down payment

T

Title 1: an FHA-insured loan that allows a borrower to make non-luxury improvements (like renovations or repairs) to their home; Title 1 loans less than \$7,500 don't require a property lien.

Title insurance: insurance that protects the lender against any claims that arise from arguments about ownership of the property; also available for homebuyers.

Title search: a check of public records to be sure that the seller is the recognized owner of the real estate and that there are no unsettled liens or other claims against the property.

Truth-in-Lending: a federal law obligating a lender to give full written disclosure of all fees, terms, and conditions associated with the loan initial period and then adjusts to another rate that lasts for the term of the loan.

Underwriting: the process of analyzing a loan application to determine the amount of risk involved in making the loan; it includes a review of the potential borrower's credit history and a judgment of the property value.

VA: Department of Veterans Affairs; a federal agency which guarantees loans made to veterans; similar to mortgage insurance, a loan guarantee protects lenders against loss that may result from a borrower default.