

Glossary

Accumulation Fund

An accumulation fund is the savings component of a universal life insurance policy. The money in this fund earns interest and goes to pay the higher cost of the mortality charge as you age. As long as you pay enough to fund the mortality charge, you can skip payments if your funds dry up. And, if you contribute enough to the accumulation fund early on and you get a few good years of interest, that interest may be enough to pay the premium later on.

Acquisition or Bank Fee

The acquisition or bank fee is the average fee you'll pay to a car dealer at the start of a car lease. Typically it is \$300 to \$400, and it is non-negotiable.

Adjustable-Rate Mortgage (ARM)

An adjustable-rate mortgage (ARM) is a type of loan whose prevailing interest rate is tied to an economic index and fluctuates with the market (like one-year Treasury bills). The three most popular types of ARMs are one-year ARMs, which are adjusted every year; three-year ARMs, which are adjusted every three years; and five-year ARMs, which are adjusted every five years. When the loan adjusts, the lender tacks a margin onto the economic index rate to come up with your loan's new rate. ARMs are considered riskier than fixed-rate mortgages, but their starting interest rates are generally lower than a longer-term rate, and in the past five to ten years, people have done very well with them.

Adjusted Gross Income

Adjusted gross income is your total income reduced by contributions to retirement accounts, alimony payments, and certain other exclusions.

Agent

An agent is an individual who acts on behalf of a consumer. A real estate agent represents a buyer or a seller in the purchase or sale of a home. Licensed by the state, a real estate agent must work for a broker or a brokerage firm. An insurance agent helps a consumer purchase an insurance policy.

Insurance agents are also licensed by the state.

Annual Mileage Allowance

Your annual mileage allowance is the number of miles included as part of a car lease. Car dealers will offer as few miles as they can get away with, perhaps as few as 10,000 per

year, or 30,000 over a three-year lease. But some dealers will go as high as 15,000 miles per year if you are willing to negotiate with them. You'll pay anywhere from 10 cents to 50 cents for each additional mile you drive over the limit, so think carefully about how far you drive before you settle on a number.

Annual Percentage Rate (APR)

The annual percentage rate (APR) is the total cost of a loan, expressed as a percentage rate of interest, which includes not only the loan's interest rate but also all the costs associated with making that loan, including closing costs and fees. The costs are then amortized over the life of the loan. Banks are required by the federal Truth-in-Lending statutes to disclose the APR of a loan, which allows borrowers a common ground in comparing various loans from different lenders.

Application

Your application is a series of documents you must fill out when you apply for a home loan, insurance policy, or other line of credit.

Application Fee

An application fee is a one-time fee charged by a company for processing your application for a loan. In the case of a home loan, the application fee is sometimes applied toward certain costs, including the appraisal and credit report.

Appraisal

An appraisal is an estimate of the value of a home at a specific point in time for the purpose of financing or refinancing a home. The appraisal's value is always the opinion of the appraiser who performs it.

Balloon Mortgage

A balloon mortgage is a type of mortgage that is generally short in length but is amortized over 25 or 30 years so that the borrower pays a combination of interest and principal each month. At the end of the loan term, the entire balance of the loan must be repaid in full.

Bond

A bond is a federal or municipal government or corporation's obligation to repay you your principal plus a certain amount of interest over a fixed period of time.

Buyer Broker

A buyer broker is a real estate broker who specializes in representing buyers. Unlike a seller broker or conventional broker, the buyer broker has a fiduciary duty to the buyer because the buyer accepts the legal obligation of paying the broker. The buyer broker is obligated to find the best property for a client and then negotiate the best possible purchase price and terms. Buyer brokerage has gained a significant amount of respect in recent years, since the National Association of Realtors changed its code of ethics to accept this designation.

Buy-Down

A buy-down is an incentive offered by a developer or home seller that allows the homebuyer to lower his or her initial interest rate by putting up a certain amount of money. A buy-down also refers to the process of paying extra points (money) upfront at the closing of your loan in order to have a lower interest rate over the life of the loan.

Buyer's Market

A buyer's market exists when conditions favor the buyer. Typical conditions for a buyer's market occur when the market is flooded with too many homes and a home can be bought for a lower cost.

Capitalized Cost Reduction

The capitalized cost reduction is your down payment for the purchase of a car. It is negotiable. If you're trading in a car, the value of the trade-in should be applied to either the capitalized cost reduction or to your monthly payments.

Cash Surrender Value

The cash surrender value is the amount available in cash upon voluntary termination of an insurance policy by its owner before it becomes payable by death or maturity. This amount is typically paid in cash or paid-up insurance.

Cash Value Policy

A cash value policy is a category of life insurance that includes whole life, universal life, and variable universal life; the policies combine the death benefit with a savings component. The insurance policy is broken down into two parts: the mortality charge (the part that pays for the death benefit) and a reserve (the savings component that earns interest). As you get older, the cost of the death benefit rises. In addition to interest, the reserve might receive an annual dividend, depending on how many policies have been paid out and how well the insurer has invested the premiums it has received.

Catastrophic Care

Most health insurance policies cover catastrophic care, including such procedures as transplants, complex neonatal care, severe burns, or trauma.

Certificate of Title

A certificate of title is the document or instrument issued by a local government agency to an owner, naming the person as the owner of an automobile or boat. When the item is sold, the certificate of title is transferred to the buyer. The agency then issues a new certificate of title to the buyer.

Common Stock

Common stock is a share of ownership in a company.

Consumer Price Index (CPI)

The Consumer Price Index (CPI) measures changes in the prices of all the goods and services that urban households purchase for consumption. The CPI is used as an economic indicator, a policy guide, a means to adjust income payments for inflation, and a means to determine the cost of school lunches, to mention a few.

Cost-of-Living Adjustments (COLA)

A Cost-of-Living Adjustment (COLA) rider can be added to a long-term care policy to ensure that the policy owner's benefits increase to keep pace with the consumer price index (CPI).

Debt Service

Debt service is the total amount of debt (credit cards, mortgages, car loans, etc.) that an individual is carrying at any one time.

Dependent

A dependent is an individual for whom the taxpayer provides over half of the support during the calendar year. This could be a child, spouse, relative, or non-relative living as a member of the taxpayer's household.

Dividends

Dividends are a stockholder's share of a company's profits, and they are typically paid out in quarterly installments. To find out how much you'll receive, multiply the dividend (published in your local paper) by the number of shares you own.

Equity

Equity is your share of ownership in a company or property. Stockholders are often referred to as equity investors, because they invest in the equity of a company.

Estimated Tax Payments

If you are self-employed or earn significant income dividend or investment income in addition to your regular salary, you must make estimated tax payments based on the estimated tax you'll owe at the end of the year. Your estimated tax payments must equal either 100 percent of the tax you paid in the previous year or 90 percent of your total tax for the current year.

Exemption (Tax)

You may take a tax exemption from your adjusted gross income for yourself, you spouse, and any dependents. The tax exemptions basically exclude money from taxation.

Filing Status

Your filing status is a declaration of your personal status (i.e., married, single, or separated, and with dependents or not). Your filing status will determine your standard deduction, the tax rate table you'll use to compute your tax liability, and the deductions and credits to which you're entitled.

First Mortgage

A first mortgage is a mortgage that takes priority over all other voluntary liens.

Fixture

The term "fixture" refers to personal property—such as a built-in bookcase, furnace, hot water heater, or recessed lights—that becomes "affixed" because it has been permanently attached to the home and therefore a part of its value.

Foreclosure

If a homeowner defaults on paying a home's mortgage, foreclosure is the legal action taken to extinguish that homeowner's right and interest in a property so that the property can be sold to satisfy the debt.

401(k) Plan

A 401(k) plan is a defined contribution plan for employees. Some companies do not offer this benefit, but if they do, you may contribute up to a maximum dollar amount set by the government and indexed to inflation. As an additional benefit, some employers match contributions up to a certain dollar limit or percentage.

GAP Insurance

GAP stands for "guaranteed auto protection"—and you need it if you're leasing. This insurance will pay the balance on the lease and the early termination penalties if the car is stolen or totaled. Negotiate to have it included with your lease payment.

Grace Period

The grace period is the period of time after a loan payment is due in which a mortgage payment may still be made and not considered delinquent.

Graduated Payment Mortgage

A graduated payment mortgage is a mortgage in which the payments increase over the life of the mortgage, allowing the borrower to make very low payments at the beginning of the loan.

Guaranteed Cost Replacement

Guaranteed cost replacement is a type of homeowner's insurance that guarantees to rebuild your home no matter what the cost and has a rider built in to take care of inflation. On some policies, insurers might only pay to rebuild your home up to 120 to 125 percent of your policy amount. It's up to you to stay on top of how much it will cost to rebuild your home.

Guaranteed Renewable Policy

A guaranteed renewable policy is an insurance policy that must be renewed as long as you pay the premium on time. Typically, an insurer cannot make any changes to a guaranteed renewable policy other than to increase the premium rate for an entire class of policyholders.

HMO (Health Maintenance Organization)

An HMO (Health Maintenance Organization) is an organization that provides a wide range of comprehensive healthcare services for a specified group at a fixed periodic payment. The government, medical schools, hospitals, employers, labor unions, consumer groups, or insurance companies can sponsor an HMO. HMOs can also be hospital-medical plans.

Home Inspection

A home inspection is the service a professional home inspector performs when he or she is hired to scrutinize the home for any possible structural defects. It may also be done in order to check for the presence of toxic substances, such as leaded paint or water,

asbestos, radon, or pests, including termites. A home inspection is usually done before the purchase of a home.

Home Warranty

A home warranty is a service contract that covers appliances (with exclusions) in working condition in the home for a certain period of time, usually one year. Homeowners are responsible for a per-call service fee. There is also a homeowner's warranty for new construction. Some developers will purchase a warranty from a company specializing in new construction for the homes they sell. A homeowner's warranty will warrant the good working order of the appliances and workmanship of a new home for between one and ten years; for example, appliances might be covered for one year, while the roof may be covered for several years.

Homeowner's Association

A homeowner's association is a group of home owners in a particular subdivision or area who take care of common property and common interests. There is typically a fee assessed to members associated with maintenance of common property.

Homeowner's Insurance

Homeowner's insurance includes hazard insurance, as well as personal liability and theft.

HUD (Department of Housing and Urban Development)

HUD is the federal department responsible for the nation's housing programs. It also regulates RESPA, the Real Estate Settlement Procedures Act, which governs how lenders must deal with their customers.

Income Replacement Policy:

An income replacement policy is private disability insurance that covers the difference between what you earned prior to the disability and what you now earn doing a different job.

Index Funds:

Index funds are stock mutual funds designed to mimic the movements of a particular index. For example, a fund that mimics the movement of the Standard & Poor's 500 (S&P), will either purchase every stock on the S&P 500 in the same ratio that those stocks appear on the index or will purchase a representative sample of companies to closely approximate the index. Since index funds rarely change their holdings, they are typically cheap to hold and may do better for investors over the long haul.

IRA (Individual Retirement Account)

An IRA is an account to which any individual who earns income may contribute up to \$2,000 per year. The contributions are tax-deductible, and the earnings grow tax-free, although they may be taxed upon withdrawal.

Interest

Interest is money charged for the use of borrowed funds. Usually expressed as an interest rate, it is the percentage of the total loan charged annually for the use of the funds.

Interest-Only Mortgage

An interest-only mortgage is a loan on which only the interest is paid on a regular basis (usually monthly) and the principal is owed in full at the end of the loan term.

Joint Tenancy

Joint tenancy is an equal, undivided ownership in a property taken by two or more owners. Under joint tenancy there are rights of survivorship, which means that if one of the owners dies, the surviving owner rather than the heirs of the estate inherits the other's total interest in the property.

Late Charge

A late charge is a penalty applied to a mortgage payment (or other payment) that arrives after the grace period, usually ten or 15 days after the due date.

Lease Charge or Money Factor

A lease charge or money factor is a complicated method that car dealers use to calculate lease payments. Similar to an interest rate, you can approximate the annual percentage rate of your lease by multiplying the money factor by 2,400. The lease charge is non-negotiable, but it differs from lease to lease, car to car, and company to company. Usually it is not disclosed because car companies are not required to under Regulation M.

Lease with an Option to Buy

A lease with an option to buy gives the renter or lessee of a piece of property the right to purchase the property for a specific period of time at a specific price. Usually, a lease with an option to buy allows a first-time buyer to accumulate a downpayment by applying a portion of the monthly rent toward the downpayment.

Lender

A lender is a person, company, corporation, or entity that lends money for the purchase of real estate.

Lessee

A lessee is you, or the person leasing a vehicle or residence.

Lessor

A lessor is the landlord, leasing company, bank, or finance company that leases the car or apartment to you.

Letter of Intent

A letter of intent is a formal statement, usually in letter form, from the buyer to the seller stating that the buyer intends to purchase a specific piece of property for a specific price on a specific date.

Leverage

Leverage is the term for using a small amount of cash, say a 10 or 20 percent downpayment, to purchase a piece of property.

Lien

A lien is an encumbrance against the property, which may be voluntary or involuntary. There are many different kinds of liens, including a tax lien (for unpaid federal, state, or real estate taxes), a judgment lien (for monetary judgments made by a court of law), a mortgage lien (when you take out a mortgage), and a mechanic's lien (for work done by a contractor on the property that has not been paid for). For a lien to be attached to the property's title, it must usually be filed or recorded with a local county government office.

Listing

A listing is a property that a broker agrees to list for sale in return for a commission.

Loan

A loan is an amount of money that is lent to a borrower, who agrees to repay the sum plus interest.

Loan Commitment

A loan commitment is a written document that states that a mortgage company has agreed to lend a buyer a certain amount of money at a certain rate of interest for a specific period of time, and which may contain sets of conditions and a date by which the loan must close.

Loan Origination Fee:

A loan origination fee is a one-time fee charged by the mortgage company to arrange the financing for the loan.

Loan-to-Value Ratio

The loan-to-value ratio is the ratio of the amount of money you wish to borrow compared to the value of the property you wish to purchase.

Institutional investors (who buy loans on the secondary market from your mortgage company) set up certain ratios that guide lending practices. For example, a mortgage company might only lend you up to 80 percent of a property's value.

Location

Location is where a property is geographically situated. "Location, location, location" is a broker's maxim that states that where the property is located is its most important feature, because you can change everything about a house except its location.

Lock-In

A lock-in is the mechanism by which a borrower locks in the interest rate that will be charged on a particular loan. Usually, the lock lasts for a certain time period, such as 30, 45, or 60 days. On a new construction, the lock may be much longer.

Long-Term Care Insurance

Long-term care insurance is an insurance policy that covers the cost of long-term care in a nursing home, other custodial care settings, or at home.

Maintenance Fee

The maintenance fee is the monthly or annual fee charged to condominium, co-op, or townhouse owners, and paid to the homeowner's association, for the maintenance of common property. It is also called an assessment.

Medicaid

Medicaid comprises state public assistance programs to persons who are unable to pay for healthcare. Title XIX of the federal Social Security Act provides matching federal funds for financing state Medicaid programs.

Medicare

Medicare is a program of Hospital Insurance (Part A) and Supplementary Medical Insurance (Part B) protection provided under the Social Security Act.

Medicare Supplemental Insurance (Medigap or MedSup): Medicare Supplemental Insurance (Medigap or MedSup) is a term used in reference to private insurance products that supplement Medicare insurance benefits.

Money Factor or Lease Charge

A money factor or lease charge is a complicated method that car dealers use to calculate lease payments. Similar to an interest rate, you can approximate the annual percentage rate of your lease by multiplying the money factor by 2,400. The lease charge is non-negotiable, but it differs from lease to lease, car to car, and company to company. Usually it is not disclosed because car companies are not required to under Regulation M.

Mortgage

A mortgage is a document granting a lien on a home in exchange for financing granted by a lender.

The mortgage is the means by which the lender secures the loan, and it grants the lender the ability to foreclose on the home if the buyer does not satisfy the loan.

Mortgage Banker

A mortgage banker is a company or a corporation, such as a bank, that lends its own funds to borrowers in addition to bringing together lenders and borrowers. A mortgage banker may also service the loan (i.e., collect the monthly payments).

Mortgage Broker

A mortgage broker is a company or individual that brings together lenders and borrowers and that processes mortgage applications.

Mortgagee

Mortgagee is a legal term for the lender.

Mortgagor

Mortgagor is a legal term for the borrower.

Multiple Listing Service (MLS)

A multiple listing service (MLS) is a computerized listing of all properties offered for sale by member brokers. Buyers may only gain access to the MLS by working with a member broker.

Negative Amortization

Negative amortization is a condition created when the monthly mortgage payment is less than the amount necessary to pay off the loan over the period of time set forth in the note. Because you're paying less than the amount necessary, the actual loan amount increases over time with interest. That's how you end up with negative equity. To pay off the loan, a lump-sum payment may have to be made.

Open-End Lease

If you have an open-end lease, when you bring the car back, the dealer compares the actual value of the car with the residual value stated in your lease contract. If the actual value is less than the stated residual value, you make up the difference. If, by chance, the car has retained more of its value, the dealer pays you.

Option to Purchase

An option to purchase, also known as a lease/option, secures for a fee the right or option to purchase property for a given length of time, without the obligation to ultimately purchase the property.

Origination Fee

An origination fee is a fee charged by the lender for allowing you to borrow money to purchase property. The fee—which is also referred to as points—is usually expressed as a percentage of the total loan amount.

Ownership

Ownership is the absolute right to use, enjoy, and dispose of property. You own it!

Package Mortgage

A package mortgage is a mortgage that uses both real estate and personal property to secure a loan.

Paper

Paper is slang usage that refers to the mortgage, trust deed, installment, and land contract documentation.

Partial Disability Coverage

Partial disability coverage is a benefit sometimes found in disability income policies that provides for the payment of reduced monthly income in the event the insured cannot work full time and/or is prevented from performing one or more important daily duties pertaining to his or her occupation.

Personal Articles Rider

A personal articles rider is an addendum to your insurance coverage designed to insure property of a moveable nature. The coverage typically protects against all physical loss, subject to special exclusions and conditions.

Personal Injury Protection

Personal injury protection is first-party, no-fault coverage in which an insurer pays, within the specified limits, the wage loss, medical, hospital, and funeral expenses of the insured.

Personal Property

Personal property is moveable property, such as appliances, furniture, clothing, and artwork.

PITI

PITI is an acronym for Principal, Interest, Taxes, and Insurance. These are typically the four parts of your monthly mortgage payment.

Point

A point represents one percent of a loan interest rate.

Power of Attorney

Power of attorney is the legal authorization given to an individual to act on behalf of another individual.

PPO (Preferred Provider Organization)

A PPO is an arrangement whereby a third-party payer contracts with a group of medical care providers who furnish services at lower than usual fees in exchange for prompt payment and a certain volume of patients.

Pre-Existing Condition

A pre-existing condition is a physical condition that existed before the effective date of coverage.

Prepaid Interest

Prepaid interest is interest paid at closing for the number of days left in the month after closing a real estate transaction. For example, if you close on the 15th, you would prepay the interest for the 15th through the end of the month.

Prepayment Penalty

A prepayment penalty is a fine imposed when a loan is paid off before it comes due. Many states now have laws against prepayment penalties, although banks with federal charters claim to be exempt from state laws. If possible, do not use a mortgage that has a prepayment penalty, or you will be charged a fine if you sell your property before your mortgage has been paid off.

Prequalifying for a Loan

A mortgage company can prequalify a buyer in advance of the formal application process, telling the buyer approximately how much money the buyer can afford to borrow.

Presumptive Disability

Presumptive disability is a type of private disability insurance that presumes its holder to be fully disabled and entitled to full benefits in case of loss of sight, speech, hearing, or some other specified faculty.

Principal

If you're buying a home, principal is the amount of money you borrow. If you're buying a bond, the principal is the amount you're lending. Typically, you'll buy bonds with a face value of \$1,000. If you buy a \$1,000 bond, your principal is \$1,000.

Private Mortgage Insurance (PMI)

Private mortgage insurance is special insurance that specifically protects the top 20 percent of a loan, allowing the lender to lend more than 80 percent of the value of the

property. PMI is paid in monthly installments by the borrower and is for the benefit of the lender, not the buyer.

Property Tax:

Property tax is a tax levied by a county or local authority on the value of real estate.

Purchase Agreement

A purchase agreement is an agreement between the buyer and seller for the purchase of property.

Purchase Fee

A purchase fee is a fee you'll pay in addition to the purchase option price if you do decide to purchase your leased car at the end of the lease term. Typically, it's about \$250 to \$300, and it is negotiable.

Purchase-Option Price

The purchase-option price is the price you'll pay to buy the car at the end of the lease term. Typically, it's not negotiable, but it may be tied into the number of miles you're allotted each year in your lease agreement. A car that's driven 15,000 miles a year will be less valuable than a car driven only 10,000 miles a year.

Quitclaim Deed:

A quitclaim deed is a deed that operates to release any interest in a property that a person may have, without a representation that he or she actually has a right in that property. For example, Sally may use a quitclaim deed to grant Bill her interest in the White House in Washington, DC, although she may not actually own, or have any rights to, that particular house.

Real Estate

Real estate is land and anything permanently attached to it, such as buildings and improvements.

Real Estate Agent

A real estate agent is an individual licensed by the state who acts on behalf of the seller or buyer. For his or her services, the agent receives a commission, which is usually expressed as a percentage of the sales price of a home and is split with his or her real estate firm. A real estate agent must either be a real estate broker or work for one. Real

Estate Attorney - A real estate attorney is an attorney who specializes in the purchase and sale of real estate.

Real Estate Broker

A real estate broker is an individual who is licensed by the state to act as an agent on behalf of the seller or buyer. For his or her services, the broker receives a commission, which is usually expressed as a percentage of the sales price of a home.

Redlining

Redlining is the slang term used to describe an illegal practice of discrimination against a particular racial or socioeconomic group by real estate lenders or insurance companies. Redlining occurs when lenders or insurance companies decide certain areas of a community are too high risk. Real estate companies that redline simply refuse to give a mortgage to buyers from those areas who want to purchase property, regardless of their qualifications or credit worthiness. Insurance companies who redline refuse to insure consumers who live in certain neighborhoods.

Reserve

The reserve is the amount of money set aside by a condominium, co-op, or homeowners' association for future capital improvements.

Residual Value

The residual value is the amount the car dealer deems the car will be worth at the end of the lease term. Typically, this is non-negotiable.

Roth IRA:

A Roth IRA allows nondeductible, after-tax contributions of up to \$2,000 per year. As long as you hold the IRA for at least five years, the distributions are tax-free. In addition, you are not required to make a minimum contribution each year, and there is no age limit for additional contributions. The Tax Relief Act of 1997 created the Roth IRA.

Sale-Leaseback

A sale-leaseback is a transaction in which the seller sells property to a buyer, who then leases the property back to the seller. It is accomplished within the same transaction.

Sales Contract

A sales contract is the document by which a buyer contracts to purchase property. It is also known as the purchase contract or a contract to purchase.

Sales Tax

Sales tax is a tax levied by state or local governments. In most areas, a car lease is considered the same as a purchase, so you'll pay sales tax on your lease. That's one reason to think carefully about where you purchase or lease your vehicle. You might only pay 7.5 percent sales tax instead of 8.75 percent depending on where you buy or lease your car. And when you're talking about a \$20,000 car, saving 1.25 percent means saving \$250.

Savings Bonds

A savings bond is a bond backed by the U.S. government. Savings bonds (which come in different series, like EE and HH) can be purchased in small amounts, either directly from a bank, the Treasury Department, or through a broker. They're nontransferable, and are not traded as are other government offerings. In September 1998, the U.S. government began selling inflation-indexed savings bonds. The I-bond guarantees that your return will outpace inflation, and it is actually based on the rate of inflation plus a fixed rate of return, perhaps 3 to 3.5 percent.

Second Mortgage

A second mortgage is a mortgage obtained after the primary mortgage, for which the rights of repayment are secondary to the first mortgage.

Seller Broker

A seller broker is a broker who has a fiduciary responsibility to the seller. Most brokers are seller brokers, although an increasing number are buyer brokers, who have a fiduciary responsibility to the buyer.

Social Security

Social Security provides retirement benefits, disability income, and Medicare for working individuals and their spouses. Under the Social Security Act of 1935, the government established Social Security and created the Social Security Administration to administer the program.

Special Assessment

A special assessment is an additional charge levied by a condo or co-op board in order to pay for capital improvements or other unforeseen expenses.

Standard Deduction

A standard deduction is a deduction the IRS allows from your adjusted gross income (AGI) if you choose not to itemize deductions on your tax return. The amount is set by the government and indexed for inflation.

Subdivision

A subdivision is the division of a large piece of property into several smaller parcels. Usually a developer or a group of developers will build single-family or duplex homes of a similar design and cost within one subdivision.

Subvented Lease

A subvented lease is a car lease that's subsidized (typically by the auto manufacturer) in order to promote the lease of a certain model of car. Subvented leases can be exceptional deals, and they are often the only way that leasing may be cheaper than owning (unless you pay cash, in which case a well-negotiated car purchase will almost certainly be cheaper than any lease you could get).

Tax Audit

A tax audit is a formal examination of your tax return by IRS auditors.

Tax Bracket

A tax bracket is a range of income designated by the IRS. Each bracket is associated with a separate level of taxes. The higher your income, the higher your tax bracket, and the more tax you pay.

Tax Credit

A tax credit is an amount by which tax owed is reduced directly. In other words, a dollar-for-dollar amount is subtracted directly from the taxes you owe.

Tax Exemption

You may take a tax exemption from your adjusted gross income for yourself, your spouse, and any dependents. The tax exemption basically excludes money from taxation.

Tax Lien

A tax lien is a lien that is attached to property if the owner does not pay his or her real estate taxes or federal income taxes. If overdue property taxes are not paid, the owner's property might be sold at auction for the amount owed in back taxes.

Tax Shelter

A tax shelter is an investment made for the primary purpose of lowering your tax burden.

Taxable Income

Taxable income is the result of your gross earnings minus deductions and exclusions.

Tenancy by the Entirety

Tenancy by the entirety is a type of ownership whereby both the husband and wife each own the complete property. Each spouse has an ownership interest in the property as his or her marital residence and, as a result, creditors of one spouse cannot force the sale of the home to pay back his or her debts without the other spouse's consent. There are rights of survivorship whereby upon the death of one spouse, the other spouse would immediately inherit the entire property.

Tenants in Common

Tenants in common is a type of ownership in which two or more parties have an undivided interest in the property. The owners may or may not have equal shares of ownership, and there are no rights of survivorship. However, each owner retains the right to sell his or her share in the property as he or she sees fit.

Term (Car Lease)

When discussing car leases, term refers to how long the car lease lasts. Generally, you won't want to get a car lease for longer than three years. Too many things can start to go wrong with a leased car in its fourth or fifth year, and the likelihood that you'll get some nicks and dings increases as well.

Title

Title refers to the ownership of a particular piece of property.

Title Insurance

Title insurance is insurance that protects the lender and the property owner against losses arising from undisclosed defects or problems with the title to property.

Umbrella Liability Policy

An umbrella liability policy insures losses in excess of amounts covered by other liability insurance policies; it also protects the insured in many situations not covered by the usual liability policies.

Underwriter

An underwriter is one who underwrites, or guarantees, the funds for a loan for another. Your lender will have an investor underwrite your loan.

Universal Life Insurance

Universal life insurance is a flexible premium life insurance policy under which the policyholder may change the death benefit from time to time (with satisfactory evidence of insurability for increases), vary the amount or timing of premium payments, and choose the investment vehicle for his or her premiums. Premiums (less expense charges and commissions) are credited to a policy account from which mortality charges are deducted and to which interest is credited at a rate that may change from time to time.

Variable Interest Rate

A variable interest rate is an interest rate that rises and falls according to a particular economic indicator, such as Treasury Bills.

Void

Void refers to a contract or document that is not enforceable.

Voluntary Lien

A voluntary lien is a lien, such as a mortgage, that a homeowner elects to grant to a lender.

Waiver

A waiver is the surrender or relinquishment of a particular right, claim, or privilege.

Withholding

Withholding is an ongoing deduction from your paycheck that is sent to the IRS by your employer on your behalf.

Withholding Allowance

A withholding allowance is available for each personal and dependent exemption that you're entitled to take. You may also take additional exemptions to compensate for deductions and credits you plan to use. You may change your withholding allowances during the year if your income will be higher or lower than you planned.

Zoning

Zoning is the right of the local municipal government to decide how different areas of the municipality will be used. Zoning ordinances are the laws that govern the use of the land.