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CLIENT REFERENCE

Foreclosure & Short-Sale Terminology

Plain-language definitions for Texas homeowners and real estate clients navigating delinquency, loss mitigation, pre-foreclosure, short sales, auctions, and lender-owned property.

A term can have different legal effects depending on the loan, lien, documents, and facts. Ask the appropriate professional how it applies to you.

Words are not outcomes
A “review,” “application,” “approval to participate,” or verbal postponement is not the same as a final written short-sale approval or written cancellation of a foreclosure sale. Save the actual documents and ask who issued them.

A–Z Terms

Term	Plain-language meaning	Why it matters
Acceleration	The lender declares the full debt immediately due after a default and required notices.	Often precedes foreclosure activity; the written notice and loan documents matter.
Arrearage	Past-due payments and related amounts needed to bring the loan current, including permitted fees, advances, and costs.	Ask for a written reinstatement figure through a specific date.
Arm’s-Length Transaction	A sale between independent parties acting in their own interests without a hidden relationship, side deal, or undisclosed benefit.	Short-sale lenders commonly require an affidavit and may reject related-party or concealed arrangements.
Automatic Stay	A bankruptcy protection that generally pauses many collection actions after a filing, subject to exceptions and court orders.	Only a bankruptcy attorney should advise whether it applies or remains in effect.
BPO (Broker Price Opinion)	A broker’s estimate of value used by some servicers or investors; it is not an appraisal.	The lender may use it to set a required price or net.
Complete Loss-Mitigation Application	A borrower-assistance package containing all information the servicer says is required for evaluation.	Federal procedural protections can depend on completeness and how early it is received.
Deed in Lieu of Foreclosure	An approved agreement to voluntarily transfer title to the lender/investor instead of completing foreclosure.	Clear title, occupancy, junior liens, and written deficiency terms can determine whether it is available.
Default	Failure to meet a loan obligation, commonly a missed payment but potentially another violation of the loan documents.	Default is not identical to foreclosure; it can start notices and remedies.
Deficiency	The unpaid difference between the debt and the amount recovered from a sale or foreclosure, plus permitted costs.	Whether it is waived, collectible, settled, or reported depends on law and written terms.
Delinquency	A payment is late or unpaid.	Delinquency may occur before formal default or a foreclosure filing.
Equity	Estimated property value minus debts and costs required to transfer clear title.	Equity must be based on verified liens and realistic sale costs—not only the first-mortgage balance.
Escrow Shortage	The mortgage escrow account does not contain enough to pay expected taxes or insurance, often increasing the monthly payment.	A sudden payment increase can create or deepen distress.

Term	Plain-language meaning	Why it matters
Forbearance	A temporary agreement to pause or reduce payments.	Paused amounts are generally not automatically forgiven; they may become due or be deferred into another claim.
Force-Placed Insurance	Insurance a servicer buys when required homeowner coverage lapses or cannot be verified.	It can be expensive and may protect the lender more than the homeowner.
Foreclosure	The legal process used to enforce a lien and sell property after default.	Texas commonly uses nonjudicial foreclosure for deeds of trust, but lien type and facts can change the process.
Foreclosure Sale Date	The scheduled auction date stated in a notice or court order.	It is the key emergency deadline; obtain written confirmation of any change.
Hardship	A financial or life circumstance affecting the borrower’s ability to pay—such as income loss, illness, death, divorce, disaster, payment increase, or major expense.	Servicers may require dates, documentation, and an explanation of whether it is temporary or permanent.
HELOC	A home-equity line of credit secured by the property.	It can be a separate lien requiring payoff or short-sale approval.
Investor / Owner of the Loan	The entity that owns the mortgage loan. The servicer may collect payments and administer the account for it.	The investor’s rules can affect available loss-mitigation or short-sale terms.
Junior / Subordinate Lien	A lien with lower priority than another lien, such as a second mortgage, HELOC, partial claim, judgment, or other claim.	It usually must be paid, released, settled, or otherwise handled to close.
Lis Pendens	A recorded notice that litigation may affect title to the property.	It is a warning to investigate the lawsuit and title impact with qualified professionals.
Loan Modification	A permanent change to one or more loan terms, such as payment, rate, term, or treatment of past-due amounts.	It may create a deferred or subordinate balance and should be reviewed carefully.
Loss Mitigation	The servicer’s process for evaluating options to address delinquency or avoid foreclosure.	Options may include retention or exit alternatives; no specific option is guaranteed.
Notice of Default / Intent to Accelerate	A written notice identifying the default and generally providing an opportunity to cure before later steps.	Read the exact deadline and instructions; different lien types may use different procedures.
Notice of Trustee Sale	Written notice stating when and where a nonjudicial foreclosure sale is scheduled.	Treat it as urgent and obtain legal advice immediately.
Partial Claim / Payment Deferral	A past-due amount moved into a separate, often non-interest-bearing or deferred obligation secured by the property.	It may not appear in the main portal payoff and can require a separate payoff/release.
Payoff Statement	The amount required to satisfy a debt in full through a stated date, including applicable interest, fees, and costs.	Payoffs expire and usually must be updated for the actual closing date.
Pre-Foreclosure	The period after serious delinquency or foreclosure activity begins but before the property is sold at foreclosure.	The owner generally still holds title, but time may be limited.
Preliminary Title Commitment	A title insurer’s working statement of the conditions and exceptions for issuing a title policy.	Schedule C commonly identifies documents, payoffs, releases, and authority items needed for closing.
Reinstatement	Paying the amount required to cure the default and restore the loan to current status without paying the full loan off.	Request the amount in writing through a specific date.
Redemption	A statutory right in certain foreclosure types to recover property after sale by paying required amounts within a specified period.	Do not assume a standard mortgage trustee sale has the same rights as a Texas tax sale or HOA matter; obtain legal advice.

Term	Plain-language meaning	Why it matters
REO (Real Estate Owned)	Property owned by a lender or investor after foreclosure or another acquisition.	The former homeowner is no longer the seller; the bank/owner controls disposition.
Repayment Plan	An agreement to repay past-due amounts over time in addition to regular payments.	Confirm the total monthly obligation and what happens if a payment is missed.
Servicer	The company that receives payments, manages the account, and processes assistance requests; it may not own the loan.	Use verified contact information and keep a dated call/submission log.
Short Sale	A sale in which expected proceeds are insufficient to pay all secured debts and approved costs, requiring creditor consent to release liens and close.	The seller remains the owner, but one or more creditors control approval terms.
Short-Sale Approval Letter	The creditor's written terms for accepting the proposed transaction.	It may control price, net, costs, commissions, junior-lien payments, deficiency treatment, and deadline.
TREC Short Sale Addendum	The Texas Real Estate Commission addendum used with an applicable promulgated contract when the sale is contingent on lienholder consent.	Use the current form and brokerage guidance; it addresses lender-consent timing and contract mechanics.
Trustee / Substitute Trustee	The person authorized under the deed of trust and applicable law to conduct a nonjudicial foreclosure sale.	The name and contact may appear in the notice of sale.
UCC / Fixture Filing	A financing record that may claim an interest in equipment or fixtures such as solar panels, HVAC, roofing, or other installed systems.	It may require payoff, release, or assumption even when it is not obvious in a mortgage portal.
Written Postponement / Cancellation	Documented confirmation that a scheduled foreclosure sale will not occur on the stated date.	A verbal comment or active short-sale review should not be treated as written confirmation.

Three Distinctions That Prevent Confusion

Do not confuse	Difference
Delinquency vs. foreclosure	A late payment does not mean the property has already been foreclosed. Foreclosure is a legal process with notices and a sale.
Servicer review vs. approval	A package can be under review without approval. Closing requires written terms and title compliance.
Portal balance vs. full debt	The portal may show the main loan but omit deferred, subordinate, HOA, tax, legal, or financed-improvement obligations.

REFERENCE

Professional Use Notes & Sources

Scope boundary

These materials support real estate brokerage conversations and file management. They are not legal, tax, bankruptcy, credit-repair, appraisal, or mortgage-servicing advice. Use current forms, follow Surge Realty policy, and refer questions outside the agent's scope.

Texas foreclosure procedure: Texas Property Code Chapter 51. Written notices, the deed of trust, lien type, loan type, court orders, bankruptcy status, military protections, and other facts may change the timeline.

Federal mortgage-servicing protections: Consumer Financial Protection Bureau, Regulation X, 12 C.F.R. § 1024.41. A complete loss-mitigation application submitted early enough can trigger review and certain procedural protections; exceptions and loan coverage matter.

Short-sale contract form: Texas Real Estate Commission Short Sale Addendum, TREC No. 45-2, and the applicable current promulgated contract.

Housing counseling: U.S. Department of Housing and Urban Development. Find a HUD-approved housing counselor at 800-569-4287.

Marketing and representations: Federal Trade Commission Mortgage Assistance Relief Services guidance. Real estate professionals assisting with a sale must avoid misrepresentations and should not market themselves as loan-modification or foreclosure-rescue providers.

Last reviewed: July 31, 2026