

# MORTGAGE GLOSSARY

## A

### **ARM (Adjustable Rate Mortgage)**

A mortgage in which the interest rate is adjusted periodically, based on the movement of a financial index.

### **Amortization**

Repayment of loan by installment payments structured so that the borrower pays both principal and interest with each equal payment.

### **APR (Annual Percentage Rate)**

The annual percentage rate refers to the total cost of the loan as expressed by the actual rate of interest paid.

### **Application**

Requires borrowers to submit information regarding their income, savings, assets, debts, and more.

### **Application Fee**

The fee charged by the lender to the borrower for applying for a loan. Payment of this fee does not guarantee that a loan will be approved.

### **Appraisal**

The determination of property value based on recent sales information of similar properties.

## B

## C

### Cap (Interest rate)

The maximum interest rate increase allowable on an adjustable rate mortgage for each adjustment period.

### Certificate of Title

A statement that shows ownership of property, stating that the seller has clear title.

### Closing

Final arrangements to transfer title of property as well as to allocate charges and credits.

### Closing Costs

Fees paid (over and above the price of the property) when a property is purchased or refinanced.

### Contingency

A condition that must be met for a contract or a commitment to remain binding.

### Conventional Mortgage

A mortgage loan that is obtained without any additional guarantees for repayment, such as FHA or VA.

### Credit Report

The report to a prospective lender on the credit standing of a prospective borrower. Used to help determine credit worthiness. Information regarding late payments, defaults, or bankruptcies will appear here.

## D

### Deed

A legal written document by which title to property is transferred.

## **Default**

Failure to fulfill the terms as agreed to in the mortgage of note.

## **Down Payment**

Money paid by a buyer from his own funds, as opposed to that portion of the purchase price, which is financed.

## **E**

### **Escrow**

Funds left in trust to a third party. Generally, a portion of the mortgage payment is held in escrow by the lender to pay for taxes and insurance.

## **F**

### **First Mortgage**

A mortgage that has a primary lien against a property. (Priority over any other mortgage).

### **Fixed-Rate Mortgage**

A mortgage with an interest rate and monthly payments that remains constant during the life of the loan.

## **G**

### **Gross Income**

Normal income, including overtime, prior to any payroll deductions. That income may come from more than one source.

## **H**

### **Hazard Insurance**

Insurance protection against damage to a property from fire, windstorms, and hazards.

### **Homeowner's Insurance**

An insurance policy that combines personal liability insurance and hazard insurance for a home and its contents.

## **I**

### **Interest**

A charge paid for the use of money.

## **J**

## **K**

## **L**

## **M**

### **Market Value**

The price at which a property will sell, considering like properties and their selling price, geographic location and other factors.

### **Mortgage**

A legal document that pledges property to a creditor for the repayment of the loan, and is the term used to describe the loan itself.

### **Mortgagee**

The lender in a mortgage contract.

### **Mortgagor**

The borrower in a mortgage contract.

## **N**

## **O**

### **Origination Fee**

The fee imposed by a lender to cover certain processing expenses in connection with making a loan. Usually a percentage of the amount loaned.

### **Owner Financing**

A property purchase that is partly or wholly financed by the seller.

## **P**

### **Personal Property**

Movable property that does not fit the definition of realty.

### **Point**

A fee paid to the lender on closing day.

### **Prepayment Penalty**

A charge paid to the lender by the borrower if a mortgage loan is repaid in advance of the regular schedule.

### **Pre-Approval**

A term used to mean that a borrower has completed a loan application and provided debt, income, and savings information that has been reviewed and pre-approved by an underwriter.

### **Pre-Qualification**

A preliminary assessment of a buyer's ability to secure a loan, based on information provided once a loan office has made inquiries about a borrower's debt, income, and savings. A written statement detailing the borrower's chances for qualifying for a home loan.

## **Principal**

The amount borrowed or remaining unpaid, not counting interest.

## **Q**

## **R**

### **Real Estate Settlement Statement**

Final settlement statement often referred to as the HUD-1 form.  
List all costs involved in a real estate closing to all participants.

### **Recording Fee**

The charges made by the register of deeds to record the legal documents.

### **Refinancing**

The process of paying off one loan with the proceeds from a new loan, using the same property as security.

## **S**

### **Second Mortgage**

A loan issued on property that is already encumbered by an existing mortgage. The second is subordinate to the first.

### **Survey**

A map or drawing prepared by an engineer or surveyor that shows the precise legal boundaries of a property.

## **T**

### **Title**

A legal document showing a persons right to or ownership of the property.

### **Title Search**

A check of public records to make sure that the seller is the actual owner of the property, and that there are no liens or other claims outstanding.

### **Truth-in-Lending**

Provision that requires lenders to reveal the actual costs of borrowing.

### **U**

### **V**

### **VA Loan**

A government backed mortgage loan supported by the US Veterans Administration.

### **W**

### **X**

### **Y**

### **Z**