MUST-KNOW MORTGAGE TERMS FOR REAL STATE AGENTS

Loan Qualification & Approval Terms Lender's initial assessment based on self-Qualification reported financial info; no verification needed. **Pre-Approval** Stronger financial review where a lender verifies credit, income, and assets to determine loan eligibility. Loan Formal approval from the lender, stating the Commitment buyer meets all conditions for the mortgage. **Clear to Close** Final lender approval indicating all loan (CTC) conditions are met and closing can proceed.

	Loan Types & Programs
Conventional Loan	Mortgage that is not backed by the government (e.g., Fannie Mae or Freddie Mac). Requires as little as 3% down .
FHA Loan	Government-backed loan with low down payment options (3.5%) , ideal for first-time buyers.
VA Loan	Available to eligible military service members and veterans with zero down payment and no PMI.
USDA Loan	Zero-down loan for eligible rural and suburban buyers (income restrictions apply).
Jumbo Loan	Loan that exceeds conforming loan limits (typically \$766,550+ in most areas for 2024).
Non-QM Loan (Non-Qualified Mortgage)	Flexible financing option for buyers who don't meet standard guidelines (e.g., selfemployed, high DTI, bank statement loans).

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Bonus:	Λ Dra-Approval is Keyl	Know the Loan

Debt-to- Income Ratio (DTI)	Percentage of a borrower's gross monthly income that goes toward debt payments . Lower DTI = better loan terms.
Loan-to-Value Ratio (LTV)	Percentage of the home's price being financed. Higher LTV = higher risk for lenders.
	Interest Rate vs. APR
Interest Rate	The cost of borrowing money, expressed as a percentage.
Annual Percentage Rate (APR)	Includes the interest rate + lender fees + closing costs , providing a more accurate cost of the loan.
Origination Fee	Lender's processing fee for underwriting the loan , typically 0.5% – 1% of the loan amount.
Discount Points	Fees paid upfront to buy down the interest rate (1 point = 1% of loan amount).

Kev Loan Terms & Costs

Down Payments & Mortgage Insurance	
Private Mortgage Insurance (PMI)	Required for conventional loans with less than 20% down . Can be removed once 20% equity is reached.
Mortgage Insurance Premium (MIP)	Required for FHA loans , stays for the life of the loan unless a 10%+ down payment is made.
Down Payment Assistance (DPA)	State and local programs that help first-time buyers with down payment and closing costs.

Quick Tips for Real **Estate** Agents

A Pre-Approval is Key!

Always ensure your buyers are pre-approved before house hunting.

Know the Loan Limits

Conventional, FHA, and VA loan limits change yearly and vary by location.

Seller Concessions Can Help Buyers

If a buyer is short on cash, seller-paid closing costs can keep deals alive.

PMI Can Be Removed

Agents should inform buyers that PMI on conventional loans can be canceled at 20% equity.



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MUST-KNOW MORTGAGE TERMS FOR REAL STATE AGENTS

Mortgage Payments & Escrow		
Principal, Interest, Taxes, Insurance (PITI) Total monthly mortgage payment a borrower makes, including.		
Principal	The loan balance being paid down.	
Interest	The lender's charge for borrowing money.	
Taxes	Property taxes paid through escrow.	
Insurance	Homeowners insurance (and PMI/MIP, if required).	
Escrow Account	A lender-managed account where taxes & homeowners insurance are collected and paid.	
Reserves	Additional savings required by the lender, usually 2-6 months of mortgage payments	

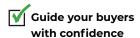
after closing.

Rate Structures & Loan Features	
Fixed-Rate Mortgage	The interest rate stays the same for the life of the loan (e.g., 15, 20, 30 years).
Adjustable- Rate Mortgage (ARM)	The rate is fixed for an initial period , then adjusts periodically based on market conditions (e.g., a 5/1 ARM is fixed for 5 years, then adjusts yearly).
Rate Bu	uy-Down (Temporary vs. Permanent)
Temporary Buy-Down	Lowers the rate for the first 1-3 years (e.g., a 2-1 buy-down reduces the rate by 2% in year 1 1% in year 2).
Permanent Buy-Down	Borrower pays upfront discount points to lower the interest rate for entire loan term .

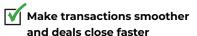
Closing Process & Fees	
Closing Costs	Fees paid at closing, typically 2-5% of the loan amount. Includes lender fees, title fees, prepaid taxes, and insurance.
Cash-to-Close	Total amount a borrower must bring to closing, including down payment + closing costs.
Seller Concessions	When a seller covers a portion of the buyer's closing costs (limits vary by loan type).
Title Insurance	Protects against ownership disputes or title defects. Required by lenders.

Post-Closing & Other Loan Terms	
Amortization	The process of paying off a loan over time through scheduled payments. Early payments go mostly toward interest , later payments go mostly toward principal .
	Loan Servicer vs. Lender
Lender	The institution that originates the loan .
Servicer	The company that manages loan payments, escrow, and customer service (sometimes different from the lender).
Refinancing	Replacing an existing mortgage with a new one to get a lower rate , change loan terms , or cash out equity .

FINAL THOUGHTS Understanding these mortgage terms will help you:









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