



An Easy Guide to Homebuying Terms

We want you to feel secure throughout each step of the home buying process. Below you will find a list of the terms and definitions that will make it easier for you to understand the home buying process.

Abstract of Title

A written history of the property title from its origin to the present.

Accrued Interest

The amount of interest due since the last payment.

Adjustable-Rate Mortgage Loan (ARM)

A mortgage in which the interest rate changes periodically according to a predetermined index.

Agreement of Sale (Purchase Contract, Purchase Agreement, Sales Agreement)

A written document by which a Buyer agrees to buy and a Seller agrees to sell a property.

Amortization

The payment of a debt in equal installments that result in the retirement of the debt.

Amortization Schedule

A list of each payment due on a mortgage loan, which shows the amount applied to the principal, the amount applied to the interest, and the remaining principal balance.

Annual Percentage Rate (APR)

A percentage of the amount of the home loan that represents the total annual cost of the loan, including finance charges.

Application

The forms used and the process of asking for a home loan.

Appraisal

The report made by a qualified person, in which he gives his opinion as to the value of a property.

Appreciation

An increase in the value of real estate (property).

Balance Sheet

A statement of assets, liabilities and net worth.

Balloon Mortgage

A mortgage with monthly payments that are made for a certain period of time, at the end of which, the remaining balance is due.

Cap

A limit on the maximum that interest rates can rise on a variable-rate mortgage (ARM) during a specified period and over the life of the loan.

Closing/Settlement

The conclusion of the transfer of ownership on a property.

Closing Costs

Costs associated with the transfer of ownership of a property.

Credit Report

A report carried by a credit reporting agency and used by the lender to determine whether an applicant is eligible for credit.

Deed of Trust

In some states, the instrument used in place of a mortgage.

Depreciation

The loss of value in real estate (property).

Discount or Discount Points or Points

A single charge imposed by the lender to adjust the interest rate of the loan to the required yield.

Down Payment

The portion of the amount for the purchase of real estate that is given in cash and in advance by the borrower.

Earnest Money or Good Faith Deposit

The deposit made by the person buying a property to a third agency, which is held in escrow until the transaction is completed.

Escrow

An item of value, money, or documents deposited with a third agency to be delivered upon the fulfillment of a condition; i.e. the deposit of funds or documents with an attorney or escrow agent to be disbursed upon the closing of a sale of real estate.

First Mortgage

A mortgage having priority over all other liens.

Homeowner's (or Hazard) Insurance

An insurance policy whereby, for a premium, an insurer agrees to insure a property in case of a loss.

HUD-1 Settlement Statement

Itemizes the charges to the buyer and the seller, and shows how the money gets paid out.

Interest Rate

The percentage of an amount of money that is paid for the use of that money over a period of time.

Judgment Lien

A judgment by the court and placed as a lien against a property.

Loan-to-Value Ratio

The relationship between the value of property and the loan amount.

Loss Payee Clause

The clause in an insurance policy indicating who is to be paid in the event of a loss.

Margin

The percentage a lender adds to the index rate to determine the new interest rate.

Maturity

The due date of a note.

Mortgage

A legal document that transfers interest in a property and serves as a security for payment of a debt.

Mortgage Banker

A firm dedicated to making real estate loans.

Mortgage Banking

The packaging of mortgage loans to be sold to a permanent investor.

Mortgage Insurance

Insures the lender against loss caused by the borrower's failure to make the payments.

Mortgage Note

A written promise to repay a stated amount of money at a stated interest rate over a stated period of time.

Origination Fee

A fee charged by a lender to cover the cost of the process of making a mortgage loan.

PITI

The acronym for Principal, Interest, Taxes and Insurance, usually the four parts of your monthly mortgage payment.

Points

*Points: a one-time charge by the lender to increase the yield of the loan; a point is 1 percent of the amount of the mortgage.

Principal

The amount of debt.

Private Mortgage Insurance (PMI)

See MORTGAGE INSURANCE

Purchase Contract

An instrument that discharges a lien.

Refinance

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

RESPA

Real Estate Settlement and Procedures Act. A law that requires the lender to disclose information to the borrower, including a Good Faith Estimate (GFE) of the borrower's closing costs.

Security Instrument

The mortgage or deed of trust of the property.

Subordination

The act of acknowledging that a lien will have a position after a mortgage loan. This is accomplished by recording a Subordination Agreement.

Tax Lien

A lien against a property for unpaid taxes.

Term

The period of time over which a loan is paid.

Title

Evidence that establishes ownership of a property.

Title Insurance Policy

A policy which protects the lender and discloses the APR and other terms of the loan, including the finance charge, the amount financed, the payment amount, and the total payments required. The lender is required to present the final version of a TIL disclosure at or prior to the closing meeting.

Trust Deed

An instrument given by the borrower to a third person (the trustee) vesting title to the property in the trustee's name as security for the borrower's payment of the mortgage loan.

Underwriting

The risk analysis of a borrower's loan application.

Evaluation Checklist

My Dream Home

Homes Visited

Notes	Address	Address	Address	Address
Selling Price	\$	\$	\$	\$
General Preferences				
Type of Home:				
# of Levels				
Age of Home:				
# of Bedrooms:				
# of Bathrooms:				
Garage:				
Indoor Amenities				
Fireplace:				
View:				
Central Heat/AC:				
Family Room:				
Study:				
Other Preferences				
Style of Architecture:				
Exterior Look:				
Interior Décor:				
Appliance:				
Location				
Relative to Important Places:				
Condition and Special Features				
Storage Space:				
Cleanliness and Upkeep:				
Advantages:				
Disadvantages:				

Additional Comments:

Make several photocopies of this chart and take them with you when you look for homes.

**Do you have any questions?
Contact us!**

Our knowledgeable home loan experts can give you reliable and straightforward answers to your home loan questions.