



FIRST-TIME HOMEBUYER

COMMON MORTGAGE TERMS

Understand the language.

Ask better questions.

Take your next step with confidence.

Your guide from Darrell Campbell

Mortgage Loan Originator | DC Mortgage | NMLS #928256

Access to multiple lenders. Guidance tailored to your home financing needs.

A practical reference for your homebuying journey

Application & closing

1003 Form (Loan Application)

The standard residential mortgage application. It collects information about you, your income, employment, assets, debts and the property so a lender can evaluate your request.

Annual Percentage Rate (APR)

A broader measure of borrowing cost than the interest rate alone. APR includes the interest rate and certain loan fees. Compare APRs alongside the loan type, terms and estimated costs.

Appraisal

An independent opinion of a property's value. A lender may require an appraisal to help evaluate its collateral. It is different from a home inspection and does not guarantee the home's condition.

Assets

Money and other items you own, such as checking and savings balances, investments and real estate. Lenders may verify assets used for your down payment, closing costs and required reserves.

Cash to Close

The estimated amount you need to bring to closing. It includes your down payment and closing costs, adjusted for deposits already paid, credits and other transaction adjustments.

Closing Costs

Costs to obtain the loan and complete the purchase, separate from your down payment. Examples include lender charges, appraisal, title and recording fees. Review your Loan Estimate and Closing Disclosure.

Closing Disclosure

A document showing your final loan terms, projected payments and closing costs. For most home purchase mortgages, you must receive it at least three business days before closing.

Credit & your contribution

Contingency

A condition in your purchase agreement, such as financing, appraisal or inspection. The contract determines deadlines and what happens if a condition is not met, including any right to cancel.

Credit History

Your record of borrowing and repayment over time. Lenders review it to assess how you have handled credit and whether the loan meets their requirements.

Credit Report

A record of your credit accounts and payment history. Review reports from Equifax, Experian and TransUnion for errors. Free weekly reports are available through AnnualCreditReport.com.

Credit Score

A number generated by a scoring model using information in your credit report. You have multiple scores; the score used for a mortgage may differ from one you see in a consumer app.

Debt-to-Income Ratio (DTI)

Your monthly debt payments divided by your gross monthly income, expressed as a percentage. Mortgage qualification generally includes the proposed housing payment. Limits depend on the loan program and other factors.

Down Payment

The portion of the purchase price you pay upfront rather than finance. Minimums vary by program and eligibility; some programs allow no down payment. Closing costs are additional.

Earnest Money

A deposit showing your commitment to a purchase. It is generally credited toward your funds due at closing. Whether it is refundable depends on the contract, contingencies and deadlines.

Protecting the home

Escrow

An arrangement in which a third party holds funds or documents. A mortgage escrow account collects money with your payment to pay items such as property taxes and homeowners insurance when due.

Escrow Analysis

A review of your mortgage escrow account, generally performed annually, to compare expected bills with collected funds. Changes in taxes or insurance can change your payment even with a fixed interest rate.

Forbearance

An agreement with your servicer to temporarily reduce or pause payments. It does not erase the missed payments. Ask how and when those amounts must be repaid.

Foreclosure

The legal process a lender may use to take and sell a property after a borrower defaults. Rules and timelines vary. Contact your servicer promptly if you are struggling to make payments.

Homeowners Insurance (HOI)

Insurance protecting against certain covered property losses and liabilities. Coverage, deductibles and exclusions vary. Standard policies generally exclude flooding and earthquakes, which may require separate coverage.

Inspection

An assessment of a home's condition by a home inspector. It can identify issues to investigate or negotiate before purchase. It serves a different purpose from the lender's appraisal.

Intent to Proceed

Your indication that you want to move forward with a lender after receiving the Loan Estimate. It may be oral or written, depending on the lender's process, and does not obligate you to close.

Understanding your loan

Interest

The charge for borrowing money. With a typical amortizing mortgage, each principal-and-interest payment includes interest plus an amount that reduces the loan balance.

Interest Rate

The percentage used to calculate interest on your loan. It may be fixed or adjustable. It differs from APR, which also reflects certain fees.

Liability

A financial obligation you owe, such as a credit card balance, auto loan or student loan. Lenders review debts and required payments when evaluating your application.

Loan Estimate

A standardized estimate of loan terms, payments and closing costs. For most mortgages, a lender must provide it within three business days after receiving the six pieces of information that constitute an application.

Loan Modification

A change to the terms of an existing mortgage, often to address payment hardship. A modification may change the rate, repayment period or other terms; approval is not guaranteed.

Mortgage

A loan secured by real estate. The loan documents set your repayment obligations and give the lender rights against the property if you fail to meet those obligations.

Mortgage Broker

A professional who helps borrowers explore and arrange loans through lenders. Ask which lenders and options are available, how compensation works and what costs apply.

Payments & purchase details

PITI

Principal, interest, taxes and insurance: common components of a housing payment. Mortgage insurance, homeowners association dues and other expenses may also affect your total monthly housing budget.

Points (Discount Points)

An upfront charge paid to obtain a lower interest rate. One point equals 1% of the loan amount. Compare the upfront cost with the monthly savings and how long you expect to keep the loan.

Preapproval

A lender's preliminary assessment of how much you may qualify to borrow, based on its review. It is conditional, can expire and is not a final loan approval or guarantee of financing.

Prepaid Expenses

Items paid in advance at closing, such as prepaid interest and insurance premiums. Initial escrow deposits may also be collected. These are part of the cash you may need at closing.

Principal Balance

The remaining amount of the loan you owe, excluding future interest. It declines as principal is repaid and may differ from a payoff quote, which can include accrued interest and other amounts.

Private Mortgage Insurance (PMI)

Insurance typically required on conventional loans with less than 20% down. It protects the lender, not the borrower. Cost and cancellation rules vary. Other loan programs have different insurance or fee structures.

Property Taxes

Taxes charged by local taxing authorities based on applicable assessments and tax rules. The amount can change over time and may be collected through your mortgage escrow account.

From contract to closing

Purchase Agreement

The contract between buyer and seller stating the price, deadlines, contingencies and other terms of the sale. Review it carefully before signing.

Rate Lock

An agreement that holds a specified interest rate for a set period, subject to its terms. Ask about expiration, extension costs and whether changes to the loan or application can affect the lock.

Real Estate Agent

A licensed professional who assists with buying or selling property. The representation agreement explains whom the agent represents, the services provided and compensation arrangements.

Refinance

Replacing an existing mortgage with a new loan. A refinance can change the rate, term or other features, but costs and qualification requirements apply. Future approval or savings are not guaranteed.

Servicing Transfer

A change in the company that collects your payments and manages the loan account. A transfer itself does not change your loan terms. Review notices for the correct payment address and effective date.

Title Company & Title Fees

A title company researches ownership and title issues and may provide settlement services and title insurance. Fees depend on the services and policies involved. Lender's and owner's title policies protect different interests.

Underwriting

The lender's review of your credit, income, assets, debts and property against loan guidelines. The underwriter may request more information or conditions before issuing final approval.



Let's talk about your next step.



Darrell Campbell

Mortgage Loan Originator

DC Mortgage

NMLS #928256

(602) 526-4353

@dcmortgage

DarrellCampbell@dcmortgageaz.com

Access to multiple lenders.

Guidance tailored to your home financing needs.

HELPFUL REFERENCES

CFPB: Mortgage terms and answers

CFPB: Loan Estimate and Closing Disclosure explainers

Free credit reports: AnnualCreditReport.com

Educational information only; not a loan offer or commitment to lend. Program requirements, rates, costs and eligibility vary. Your loan documents and applicable requirements govern your transaction.