

Buying a home is one of the biggest decisions you can make in your lifetime. While finding a home may be the easy part, getting your finances in order and applying for a mortgage loan can be a little trickier especially when you may be unfamiliar with the language that comes with mortgages and lending. Here are a few common mortgage terms and their definitions.

Amortization Schedule

Timetables for payment of a mortgage showing the amounts of each payment that are applied to interest and principal as well as the remaining balance.

Appraisal

A written report by a qualified appraiser estimating the value of a property.

Closing Costs

Expenses incurred by buyers and sellers when transferring ownership of a property, including but not limited to: origination fee, title insurance, and recording fees.

Debt to Income Ratio

The total recurring monthly debt divided by gross monthly income, expressed as a percentage.

Down Payment

The percentage of your home's purchase price that you pay up front when you close on your home loan.

Escrow Account

An account in which money for property taxes and insurance is held until paid; money is added to the account every time a mortgage payment is made.

Equity

The difference between the market value of a property and the amount still owed for the mortgage and other liens on the property. When the mortgage and other liens are fully paid off, the owner has 100% equity, or ownership, in the property.

Good Faith Estimate

An estimate of closing costs that the applicant may incur at loan closing.

Hazard Insurance

This is also known as homeowners insurance. It protects the homeowner against physical damage to a property from fire, wind, vandalism and other hazards.

Origination Fee

Compensation paid to a lender to process a loan.

Principal, Interest, Taxes, Insurance (PITI)

These make up the four components of the monthly mortgage payment.

Private Mortgage Insurance (PMI)

Insurance that protects the lender in the event of default or foreclosure.

Processor

Refers to the person who will be assisting the Loan Officer in preparing your loan documents for review by the Underwriter.

Purchase Agreement

The contract the buyer and seller sign, mutually agreeing that the buyer intends to purchase the home under the conditions listed in the agreement.

Underwriter

Evaluates the loan for overall credit risk and adherence to guidelines.