

Glossary of Terms

Term	Definition
Adjustable Rate Mortgage (ARM):	Is a variable rate loan in which the interest rate can change at each adjustment period.
Amortization:	The total period of time of the loan.
Annual Percentage Rate (APR):	The full cost over the life of the loan including interest and loan fees. (Not the rate used in calculating your monthly payment.)
Assets:	Items of value that an individual owns.
Collateral:	An asset used to secure a loan.
Closing Costs:	Costs/expenses that the buyer pays for services in order to complete the transaction.
Closing Disclosure:	A form required by Federal law that discloses fees and services associated with your mortgage loan along with the terms of the loan.
Co-Borrower:	Any additional borrower(s) that appear on the loan documents and whose credit and income was used to qualify for the loan. All parties have an equal obligation to repay the loan.
Commitment Letter:	A document from your lender stating the amount of a mortgage loan that it is willing to lend to a person.
Credit:	The ability of a customer to obtain goods/services prior to payment.
Credit Bureau:	A company that gathers information on a consumer.
Credit Report:	A report documenting the credit history and current status of a borrower's credit standing.
Credit Score:	A numeric rating used by credit agencies to evaluate the credit history of an individual.
Debt:	Money borrowed by an individual or entity. The borrowed money is typically repaid with interest on a repayment schedule detailed in the loan agreement.

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Default:	Failure to meet the legal obligations in a contract.
Down Payment:	The amount of money a borrower is putting towards the purchase transaction making up the difference between the purchase price and the mortgage amount.
Earnest Money:	Money from the buyer as part of the purchase price to bind the transaction.
Escrow:	An account held by the lender into which a portion of the borrower's monthly payment goes in to pay upcoming taxes and insurance.
Fixed Rate Mortgage:	A mortgage with an interest rate that does not change during the entire term of the loan.
Foreclosure:	The process of taking possession of a mortgaged property as a result of the borrower's failure to keep up on the mortgage payments.
Homeowners Insurance:	A policy that protects you and the lender against losses due to flood, fire, or other acts of nature.
Liabilities:	Debts owed by the borrower.
Lien:	A claim on the property for payment of a debt. A mortgage is a lien that means the lender can take the property if payments are not made per the loan agreement.
Loan:	Money you borrow from a bank with written assurance to pay back at a later date.
Loan Estimate:	A form required by federal law that provides important information including the estimated interest rate, monthly payment, and total closing costs for the loan. This must be provided to the borrower within three business days from loan application.
Loan Officer:	An individual who works for a financial institution with the main objective of answering questions, taking applications and recommending individual applications for approval.

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Loan Origination Fees:	Fees that are paid to your mortgage lender for originating the loan.
Mortgage:	A loan using a home as collateral. The amount of a mortgage is usually the purchase price of the home minus the down payment.
Mortgage Insurance:	An insurance policy which compensates lenders or investors for losses due to the default of a mortgage loan. If the down payment is less than 20%, this typically is required by the lender.
Mortgage Note:	A promissory note secured by a specified mortgage loan; it is a written promise to repay a specified sum of money plus interest at a specified rate and length of time to fulfill the promise.
Mortgage Rate:	The interest rate you pay to borrow money to buy your house.
Mortgage Servicer:	The entity or financial institution that is responsible for collecting your mortgage payments.
Principal:	The amount borrowed or the part of the amount borrowed which remains unpaid (excluding interest).
Title:	A legal document establishing evidence of ownership.
Title Insurance:	Insurance providing protection against loss arising from issues connected to the title to your property.
Uniform Residential Loan Application:	A standard mortgage loan application which is required to assess your ability to qualify and/or repay your loan.
Underwriting:	The process by which a lender decides whether a potential borrower is creditworthy and should receive the loan.