

Glossary Of Mortgage Terms

Amortization: The gradual reduction of a loan debt through monthly payments consisting of principal and interest.

Annual Percentage Rate (APR): The total cost of your loan expressed as a percentage rate of interest. APR includes the loan's interest rate and certain closing costs and fees associated with the loan which are amortized over the life of the loan.

Buyer Assistance: DPAs (Down Payment Assistance) or silent seconds are first-time buyer programs that may enable the buyer to afford a higher priced house. Income restrictions and sometimes area restrictions are applicable. The money is available sporadically and it is usually administered on a city level.

Closing: The day when buyers and sellers sign the documents and exchange money for the title to the home. The agreements made in the sales agreement are finalized at closing.

Closing Costs: Costs of the purchase, separate from the down payment, associated with closing a property sale. Closing costs are typically grouped into two categories, non-recurring costs and recurring costs. Non-recurring costs are associated with the purchase of the property such as loan costs, title fees, escrow fees, taxes, home inspection fees, and recording fees. Recurring costs are paid at the close of escrow and also throughout the time you own the property. Interest, property taxes, homeowners insurance and mortgage insurance are recurring costs.

Down Payment: The amount paid by cash or trade-in toward the purchase price. Generally, lenders waive mortgage insurance (PMI) for down payments of 20% or more. However, there are several loan programs available for buyers with as little as zero down.

Earnest Money: The money the buyer gives the seller as an intention to buy the property. Earnest money is also known as a deposit.

First-Time Homebuyer: A buyer who has not had a mortgage interest deduction on their federal tax return for the past three years.

Hazard Insurance: Lender required insurance that protects the property against loss due to fire or other natural disaster and usually covers the insured for liability. Also known as homeowner's insurance.

Homeowner's Association Dues: A fee paid by condominium owners that is used to pay expenses for maintenance on the outside of the dwelling as well as common areas such as pools, clubhouses, etc.

Interest Rate Cap: The total number of percentage points that an adjustable rate mortgage (ARM) might rise over the life of the loan.

Loan-to-Value Ratio (LTV): The ratio of the amount of money you borrow compared to the value of the property. For example, if you put 5% down you will have a loan of 95% of the value of the property or an LTV of 95% (loan amount / property value=LTV).

Mello Roos: A special assessment tax that is used to build an infrastructure in newer areas or improve public facilities in older areas. The tax may be phased in over time, paid separate from your regular tax bill, or be included in your regular property tax bill. This tax may not be applicable in your area.

PITI: The components of a monthly mortgage payment including principal, interest, taxes, and insurance. It is considered your total monthly housing expense, but does not include homeowner's association dues.

Point: One point equals 1 percent of the loan amount. Points are paid to lower a mortgage interest rate. For example, if you obtain a loan for \$100,000, you may have the option to pay 2 points to lower your interest rate from 8% to 7.5%. You'll pay 2% of the loan amount, equaling \$2,000 up front, to secure the lower rate.

Principal: The amount owed on your loan not including interest.

Second Mortgage: A mortgage that is obtained after the primary mortgage with rights for repayment secondary to the first mortgagee's loan.

Settlement Statement: A statement that details the monies paid out and received by the buyer and seller at closing.

Silent Second: A silent second is a second mortgage made available, usually by a city, to assist a first-time buyer with the down payment. No monthly payment is required; therefore, it is referred to as "silent". Also known as Down Payment Assistance programs or DPAs.

Title: Refers to the ownership of a particular piece of property.