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WE REACH CUSTOMERS BEFORE THEY MOVE INTO TOWN

HELPFUL MORTGAGE TERMS

As you go through the process of getting your mortgage, the terms below are used and should become common to you. Knowledge of these terms will make you a better shopper and should assist you to obtain the best deal.

Adjustable Rate Mortgage is a loan with a rate that adjusts to market conditions. The rate of adjustment will be stated in the contract.
ment.

Adjustment Index is a guide lenders use to change ARM interest rates during the life of a mortgage. The specific index to which your ARM is tied to will be listed in the mortgage contract.

Annual Cap is a limit on how high the interest rate on an ARM can rise in a single year. Annual caps are specified in the better ARM programs.

Annual Percentage Rate equals the true cost of a loan including financing charges and fees.

Amortization is the process that reduces the amount owned in a loan. It can be made in a lump sum or periodic installments.

Appraisal Value is estimating the property[1]s worth, which is based on comparable properties. Appraisals that are completed by certified professionals, and are used by lenders to verify the home[1]s value and justify the mortgage commitment.

Appreciation is the increase in the property[1]s value, either by improvement in the market or improvements made by the owner.

Balloon Mortgages is a loan that acts like a fixed rate but is due in three, five or ten years. At that point you must pay the outstanding balance in one lump sum.

Buydown is the process of buying a lower interest rate by paying more points at closing.

Conventional Mortgage is a loan that is under $ 240,000 and meets Fannie Mae and Freddie Mac standards, the largest purchasers of home mortgages on the secondary market.

Convertible Mortgage is an ARM with the option to convert to a fixed rate mortgage as specified in the contract.

FHA Loans are issued by FHA approved lenders. The FHA insures its loans so those borrowers can get them with only 3 to 5% down payment. The FHA has certain criteria to qualify for these loans.

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Fixed-rate Mortgages are self-amortizing loans with a constant rate of interest. These loans are commonly for 10, 15, 20 or 30 year periods.

Interest Rate is what the lender charges for the use of their money. Expressed as an annual percentage of the amount borrowed before financing expenses

Initial Interest Rate is what lenders charge on an ARM until the first adjustment is made. This rate is usually much lower than fixed rate mortgages.

Jumbo Mortgages are loans greater than $ 227,150 with an interest rate that is a quarter percentage higher than conventional loans.

Lifetime Cap is the same as an annual cap except there is limit on how high the interest rate can increase over the entire life of the mortgage.

Loan Commitment is a promise by the lender to provide the agreed amount of money stated on the mortgage to close on a home. The commitment also states the interest rate, term of loan, and usually expires within 60 days.

Loan Servicing is the institution that handles the administrative processing of your loan such as billing and collecting payments.

Loan-to-Value Ratio is the proportional relationship of the mortgage loan to the value of a home, expressed as a percentage.

Margin is the additional charge which is added into the ARM index when the stated adjustment period arrives.

Mortgage Brokers originate loans that in turn are funded by primary lenders. These loans can be risky if the brokers have difficulty fulfilling their mortgage commitments during times of tight money.

Mortgage Term or contract life refers to the length of time specified in the contract to repay the loan.

Loan Origination Fees are cash payments made to lenders at a closing of the loan. Each point equates to one percent of the total loan amount. Sometimes you can pay more points in exchange for a lower interest rate.

Primary Lenders are usually banks, savings and loans, and credit unions. Primary lenders have the option to retain and service the loans they issue.

Self-Amortizing Mortgage is a loan that is set up with monthly payments that cover the interest and principal charges necessary to repay the entire loan as stated by the contracted mortgage terms.

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