



MORTGAGE TERMS YOU SHOULD UNDERSTAND

Buying a home requires that you work with many different individuals and learn several new terms. One area that has the most to understand is obtaining the loan or mortgage for your new home. Understanding the key terms will help you converse with your lender and help you make the best decisions regarding your loan options. This knowledge will also help relieve some of the stress that you might be feeling during this process.

APPRAISAL

Appraisal: An appraisal is a rough estimate of how much your home is worth. Mortgage lenders require that you get an appraisal before you sign on a home loan.

PREAPPROVAL

Preapproval: A preapproval is a document that tells you how much you can afford to take out in a home loan. Many lenders consider the preapproval to be the first step in getting a mortgage.

DEBT-TO-INCOME

Debt-To-Income (DTI) Ratio: Total fixed, recurring monthly debts divided by your total monthly gross household income. Most lenders cater to applicants who have a DTI of 50% or lower.

DOWN PAYMENT

Down Payment: Is the first payment you make on your mortgage loan. You'll usually see your down payment listed as a percentage of your loan value.

PMI

Private Mortgage Insurance (PMI): Is a type of insurance that protects the lender in the event that you default. It is usually required if you have less than a 20% down payment.

TITLE

Title: Is proof that you own a home. Your title includes a physical description of your property, the names of anyone who owns the property and any liens on the home.

CLOSING COSTS

Closing Costs: Common closing costs include appraisal fees, loan origination fees and pest inspection fees. Closing costs usually equal between 3% – 6% of the total value of your loan.

ESCROW

Escrow: Most people who have a mortgage have an escrow account where their lender holds money for property taxes or homeowners insurance. One-twelfth of these costs are added to each monthly mortgage payment.



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