

[illegible]

A-Credit: The best credit rating (which often results in the lowest prices)

Acceptance: When the seller approves of the buyer's offer

Adjustment interval: Amount of time between interest rate changes on an adjustable rate mortgage

Aggregate adjustment: Calculation used to prevent collecting more money for your escrow account than allowed

Amortization: The value of a loan over a period of time

Annual percentage rate (APR): The true cost of a home loan

Appraisal: An estimate of the property's current market value

Appreciation: A measurable increase in the home or property's value

Assessed value: A value determined by the local government, then used to calculate annual property taxes

Assignment: Transfer of property ownership from one person to another

Assumable mortgage: A mortgage that can be transferred from the seller to buyer

Assumption: When the buyer agrees to become responsible for repaying an existing loan on the property

Automated underwriting: A process that can tell you very quickly (usually within minutes) whether or not you will be approved for a mortgage

Automated valuation model: A fast method for estimating the value of a property

Bequest: Property that's given as a gift through a will

Blanket loan: A single mortgage that covers several structures on a piece of property

Blemished borrowers: People with a risk factor, like the inability to make a down payment

Borrower: The person who takes a mortgage loan

Bridge loan: A short-term loan taken to quickly effect a sale

Buy down: When you pay more to lower the initial interest rate on a home loan

Buyer's market: When supply is greater than demand

Callable debt: When the lender requires you to pay the loan in full, before the end of the term

Cap: The maximum monthly payment on a loan

Capital gain: The profit that's earned on a home or property

Capital gain tax: A tax on the profit that's made from the sale of a home or property

Chain of title: A list of all previous property owners, in chronological order

Closing: The formal, documented sale of a home or property

Closing costs: Fees a buyer owes after their purchase

Closing statement: A list of all closing costs

Co-borrower: Someone who takes shared responsibility for a home loan

Collateral: Possessions used as security for loan repayment

Commitment letter: A document that includes the terms of a loan

Comparable sales: Calculating the cost of similar homes in the region

Contingency: Clauses that provide buyer or seller rights during the process

Conventional mortgage: A mortgage offered by government-sponsored entities

Conversion option: The ability to convert to an adjustable rate mortgage or a fixed rate mortgage

Conveyance: Written contract used to transfer the title of a property between the seller and buyer

Cost of Funds Index (COFI): used to determine the cost of adjustable rate mortgages

Cumulative interest: The total of all interest payments

Date of closing: The day all paperwork associated with the mortgage and sale is made final

Date of possession: The day the buyer will move in

Debt consolidation: The process of rolling all of your debt into one loan

Deed: An official document that establishes ownership

Default: Inability to make regular, consecutive payments on a loan

Delinquency: A mortgage payment that is more than 30 days late

Demand clause: A clause that allows the lender to demand repayment at any time, for any reason

Depreciation: A measurable decrease in the home or property's value

Down payment: An amount you pay upfront, in cash, to get your loan

Earnest money: A sum of money put up when an offer is made, to assure the seller that the buyer is serious

Equity: The difference between the value of the home and the balance of the loans

Escrow account: A separate account held by a mortgage lender, out of which bills (separate from the loan) are paid

Fair market value: The price in the current market

Fee simple: Absolute ownership, without any limitations or conditions

FHA loan: A loan from the Federal Housing Administration, usually given to people who were unable to get a conventional loan

Finance charge: The total of all the interest you'll pay over the life of your loan, plus all prepaid loan charges

Fixed rate period: The initial time when your interest rate won't change

Fixed rate mortgage: A loan in which monthly payments are the same from month to month

Flexible payment: A plan that allows you to pay only the interest on your loan each month

Float: Proceeding with the mortgage without locking your interest rate

Forbearance: When a lender suspends payment on your mortgage, allowing you to make up for late payments

Good faith estimate: A list of anticipated loan costs and closing fees, given after the application for a home loan

Graduated payment mortgage: Starting with a low mortgage payment that gradually increases

High-risk loan: A loan given to borrowers with poor credit history

Home inspection: An examination of the home

Home inspection contingency clause: A clause that gives the buyer rights, pending the home inspection. (For example, if a defect is discovered during the home inspection, the buyer can ask that the seller repair it, or even pull their offer.)

Home price index: Tool that provides historical data on home prices in various regions

Initial interest rate: The rate at which an adjustable mortgage rate will begin

Installment loan: Borrowed money that you pay over a period of time

Interest: An amount of money you pay, in return for using a loan

Joint liability: When two people share responsibility for the debt

Joint ownership: When two people purchase a home or property together

Jumbo loans: Mortgages larger than the limit set by the government

Land contract: An agreement where a buyer makes payments toward a seller's mortgage, instead of getting a new one

Lender: The bank or finance company that offers the loan

Lien: A formal, legal symbol of money owed

Loan: Money lent to a borrower

Long-term loan: A loan that matures in 10 or more years

Margin: The difference between the index and the interest rate

Maturity: The life span of a mortgage

Mortgage: A loan used to purchase or refinance a home

Mortgagee: Lender

Mortgagor: Borrower

Mortgage broker: The person who works with the buyer and the lender

Non-assumption clause: Statement that forbids the transfer of a mortgage to another person, without the lender's approval

Offer: A proposal to buy a home for a certain amount

Per diem interest: Interest that's calculated per day

Piggyback loan: A second mortgage that's added to the first

Portable mortgage: A mortgage that can travel from one home to the next

Power of attorney: A legal document that gives someone the right to act on behalf of someone else

Prime rate: The best interest rate possible

Principal: The amount borrowed

Principal balance: The amount currently owed

Rate lock: A short-term agreement to hold an interest rate while the buyer negotiates a sale

Refinance: Negotiating a lower interest rate on a mortgage, which results in lower monthly payment

Right to recession: Your right to cancel a loan within three days of getting a mortgage

Sales contract: A formal document that includes the property address, condition, purchase price, inspections, date of closing, date of possession, etc.

Second mortgage: Gives borrowers the ability to access cash equity in their home

Security instrument: A mortgage deed that gives your lender a stake in the property

Seller concession: When the seller agrees to pay certain costs, on your behalf, at the closing

Seller's market: When demand is greater than supply

Short-term loan: A loan that matures in less than 10 years

Sub-prime loan: A high-risk loan for people with poor credit

Survey: Establishes boundary lines and defines features that could affect the home or property's value

Term: Period of time between the closing and the day full repayment is due

Title: Official document that specifies who owns a piece of property

Total payment: The total amount you'll pay over the life of your loan

Truth in lending disclosure: A document that discloses interest rates, the amount to be loaned and the final cost of the loan – after it's matured

Variable rate: An interest rate that changes, in relation to an index

Walk-through: A buyer's final inspection of a home

Warranty deed: Indicates no past liens against the property

Ready to apply for your first mortgage? Before you do, be sure to read our blog: [Mortgage 101: Tips for first-time home buyers.](#)