

Additional RESOURCES



(as mentioned throughout Financing Guide)

The following pages contain additional information and resources as mentioned in this guide. We hope these tools will be helpful in educating you throughout the home buying and home financing process. If you have not yet read our Home Buyer's, Home Seller's, Moving Guides, or our Successful Seller Secrets Book: "Home Staging Secrets": 500 Tips & Tricks straight from the professionals. Feel free to contact us for your FREE copy of any or all of these guides/books.

This guide and the following additional information is provided as a courtesy to simplify what can be a complicated process for many. At any time, please do not hesitate to call, email or text us with your questions or concerns. We are more than willing to share our 25+ years of real estate experience to guide you through the process from beginning to end. We are always here to help.

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Mortgage Payment Calculator

Use the following to chart to determine your monthly principal and interest payments at various interest rates for either a 15 or 30-year term.

INTEREST RATE FACTORS PER \$1,000					
Interest Rates	Term 15 Years	Term 30 Years	Interest Rate	Term 15 Years	Term 30 Years
2	6.46	3.63	5	7.91	5.37
2 ¼	6.58	3.78	5 ¼	8.04	5.52
2 ½	6.69	3.92	5 ½	8.17	5.68
2 ¾	6.80	4.06	5 ¾	8.30	5.84
3	6.92	4.20	6	8.44	6.00
3 ¼	7.04	4.34	6 ¼	8.57	6.16
3 ½	7.16	4.48	6 ½	8.71	6.32
3 ¾	7.28	4.62	6 ¾	8.85	6.48
4	7.40	4.77	7	8.99	6.65
4 ¼	7.52	4.92	7 ¼	9.13	6.82
4 ½	7.65	5.07	7 ½	9.27	6.99
4 ¾	7.78	5.22	7 ¾	9.41	7.16

1. Find the appropriate interest rate from the chart above.
2. Look across the column to the appropriate term to determine your interest rate factor.
3. Multiply the interest rate factor by your loan amount in \$1,000s.

AN EXAMPLE

Interest Rate = 4 ½
 Desired term = 30 years
 Interest rate factor per \$1,000 = 5.07
 Mortgage = \$200,000
 Monthly Principal & Interest = \$1,034 (5.07 x 200)

Add your monthly homeowners insurance premium and the monthly portion of your property taxes and specials to your principal and interest to determine your total monthly payment. (You will also need to add mortgage insurance if it applies. You can figure an approx. mortgage insurance premium by calculating 1% of your total mortgage and divide by 12, this is a very rough figure but will help you determine your approximate payment until you have actual figures from your lender. Mortgage insurance premiums vary with different down payment amounts.)

We are providing this information only as a guide. We strongly recommend that you contact our mortgage specialist.

Renting vs. Buying

The table below will help you see how much you'll spend in rent over the next 1,5,10 & 15 years.

Wouldn't you rather put that money into your own home and **build equity** in a secure investment?

If your current rent is:	1 YR	5 YRS	10 YRS	15 YRS
\$500	\$6,000	\$30,000	\$60,000	\$90,000
\$600	\$7,200	\$36,000	\$72,000	\$108,000
\$700	\$8,400	\$42,000	\$84,000	\$126,000
\$800	\$9,600	\$48,000	\$96,000	\$144,000
\$900	\$10,800	\$54,000	\$108,000	\$162,000
\$1,000	\$12,000	\$60,000	\$120,000	\$180,000
\$1,100	\$13,200	\$66,000	\$132,000	\$198,000
\$1,200	\$14,400	\$72,000	\$144,000	\$216,000
\$1,300	\$15,600	\$78,000	\$156,000	\$234,000
\$1,400	\$16,000	\$84,000	\$168,000	\$252,000
\$1,500	\$18,000	\$90,000	\$180,000	\$270,000

Benefits of Homeownership

Homeowners provide stability. Owners typically stay in their home 12 years whereas renters stay no more than three years. US Census American Housing Surveys.

Home ownership builds confidence. Owners possess significantly higher levels of self-confidence than renters. Rossi and Weber National Survey of Families.

Home owners create positive environments for families. Children of home owners are 59% more likely to become homeowners. Their children are also 25% more likely to graduate from high school and 116% more likely to graduate from college. Boehm & Schlottmann, University of Tennessee.

Home ownership improves neighborhoods. Owners are 28% more likely to improve their home and 10% more likely to participate in solving local problems. George Galster, "Land Economics" and DiPasquale & Glaeser, Harvard's Joint Center for Housing Studies.

Home owners are more involved in civic affairs: including voting in the last election and knowing their elected officials. DiPasquale & Glaeser, Harvard's Joint Center for Housing Studies

Home ownership builds wealth. The median net worth of most modest- income owners is almost \$60,000 compared to less than \$10,000 for renters in the same income group. The Federal Reserve Board – Survey of Consumer Finance.

Home ownership provides tax benefits. The typical home owner that pays a \$1,000 house payment will realize tax savings of about \$120 each month.

Source: http://www.uc.edu/cdc/niehoff_studio/programs/uptown/fall_06/articles/Benefits%20of%20Home%20ownership.pdf

Mortgage Shopping Worksheet

	Lender 1		Lender 2	
Name of Lender:				
Name of Contact:				
Date of Contact:				
Mortgage Amount:				
Basic Information on the Loans				
	Mortgage 1	Mortgage 2	Mortgage 1	Mortgage 2
Type of Mortgage: fixed-rate, adjustable-rate, conventional, FHA, other? If adjustable, see below				
Minimum down payment required				
Loan term (length of loan)				
Contract interest rate.				
Annual percentage rate (APR)				
Points (may be called loan discount points)				
Monthly private mortgage insurance (PMI) premiums				
How long must you keep PMI?				
Estimated monthly escrow for taxes and hazard insurance				
Estimated monthly payment (principal, interest, taxes, insurance, PMI)				
Fees				
<i>Different institutions may have different names for some fees and may charge different fees. We have listed some typical fees you may see on loan documents.</i>				
Application fee or Loan-processing fee				
Origination fee or Underwriting fee				
Lender fee or Funding fee				
Appraisal fee				
Document preparation and recording fees				
Broker fees (may be quoted as points, origination fees, or interest rate add-on).				
Credit report fee				
Other fees				
Other Costs at Closing /Settlement				
Title Insurance For lender				
Title Insurance For you.				
Attorney fees (Title Opinion).				
Estimated prepaid amounts for interest, taxes, hazard insurance, payments to escrow				
State and local taxes, stamp taxes, transfer taxes				
Flood determination				
Prepaid private mortgage insurance (PMI)				
Total Fees and Other Closing /Settlement Cost Estimates . .				



Mortgage Application Checklist

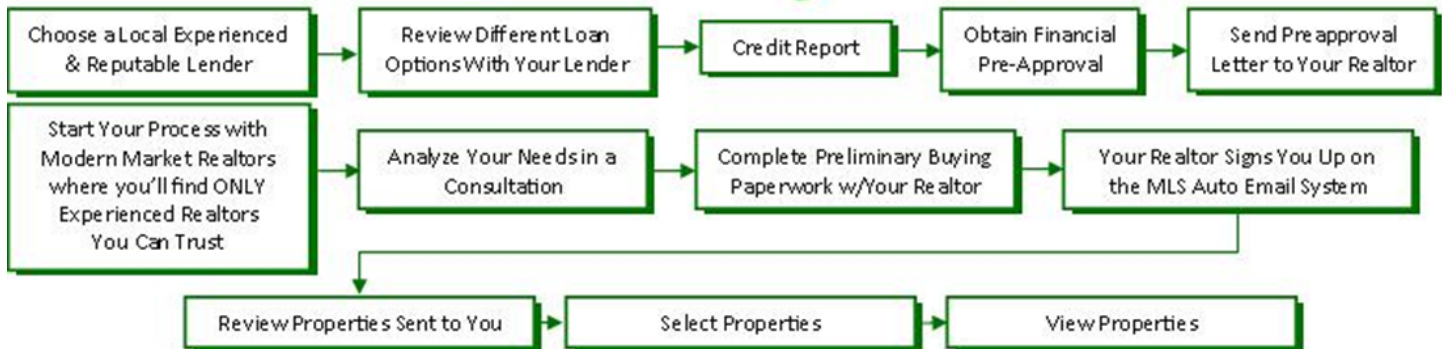
To expedite the processing of a mortgage application, borrowers should provide the following information:

- ☐ Accepted Offer to Purchase Real Estate and a Purchase and Sale Agreement, both signed by all parties. Copies of canceled checks (front and back) used for the down payment listed on the Purchase and Sale agreement will be required prior to closing.
- ☐ Names and addresses of all employers for the previous two years.
- ☐ Annual Gross Salary (overtime and bonuses listed separately), copies of W-2 forms from previous two years, and four most recent pay stubs.
- ☐ If self-employed, copies of your federal income tax returns with all schedules for the previous two years. If employed by your own corporation or partnership, copies of its returns for the previous two years, and a year-to-date profit and loss statement prepared by your accountant (sole proprietorships included).
- ☐ If relying on Social Security, disability or pension income, bring a copy of the three most recent stubs or three bank statements if directly deposited, as well as the Award Certificate from the issuing agent.
- ☐ Names and addresses of banks, credit unions, and depositories in which you have deposit accounts. List account numbers and balances in each account. Include copies of the last three monthly statements for each account.
- ☐ List of all stocks, bonds, certificates of deposit and other securities, showing current market value. Include copies of last three monthly and/or quarterly statements, account numbers, etc.
- ☐ Address, current market value, original loan amount and current balance on any real estate owned, with bank name, address and account number for each mortgage.
- ☐ Copies of leases or rental agreements for any rental property owned.
- ☐ Complete list of all outstanding installment debt, including auto loans, student loans, and personal loans. Supply creditor name, address, account number, current balance and monthly payment.
- ☐ Complete list of all outstanding credit card debt including account numbers, balances and minimum payments.
- ☐ Verification of monthly rental payment. Copies of canceled checks (front and back) from previous 12 months.
- ☐ If receiving or obligated to pay alimony, child support and/or separate maintenance, provide a copy of your court-ordered divorce decree and separation agreement. Include canceled checks from previous 12 months to verify the receipt or payment of these funds.
- ☐ Copy of front and back of Resident Alien Registration Card, if applicable.
- ☐ If purchasing a condo, a complete set of condo documents, including a master deed, budget, bylaws and a project insurance certificate or condominium spot affidavit.

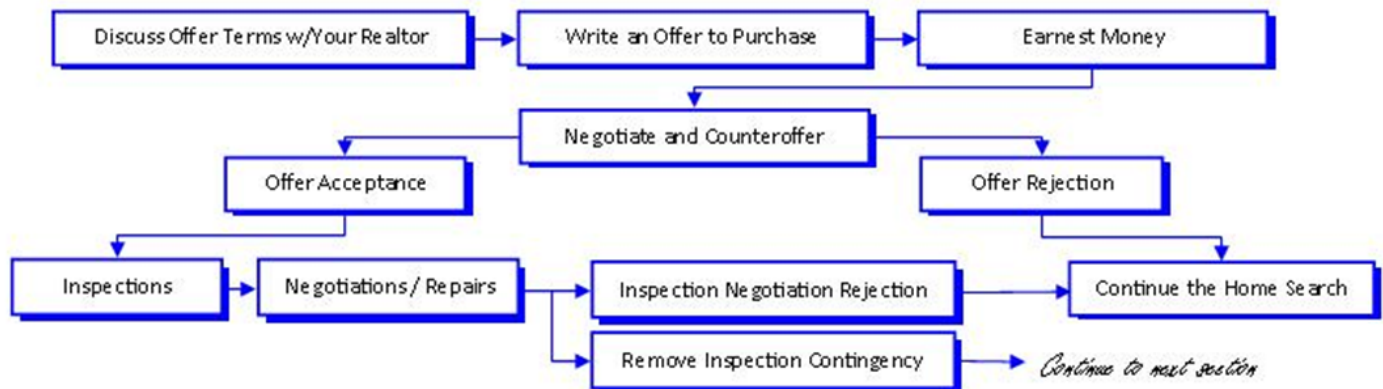
Modern Market Realtors Home Buying Process

We have designed this packet to assist you with the purchase of your new home. We assure you that it is our goal to provide you with the most professional and informative service available. We are always just a phone call away!

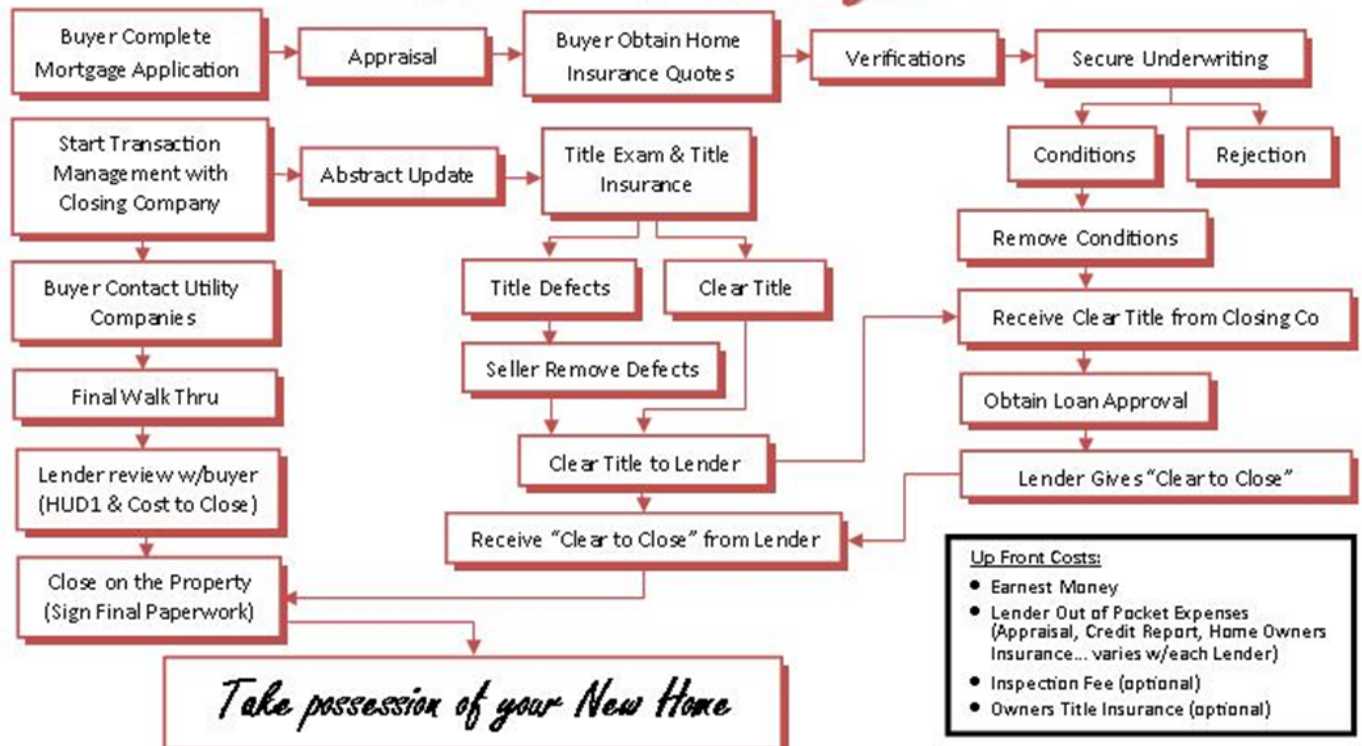
What to do first...



You've Found the Home You Want...



Proceed To Closing...



Mortgage Questions & Answers (FAQ)

What do lenders generally focus on when you apply for a loan?

Lenders look most closely at the "three Cs"—cash, credit, and collateral. Cash means you have enough money for a down payment and closing costs. Good credit means you have borrowed money in the past and repaid your debts on time and in full. Collateral is security for the mortgage loan represented by the home you are financing. Lenders want to be certain that the property you're buying has enough value to support the amount you're borrowing.

What can you do to prepare for the lender?

See the Mortgage Application Checklist for details on the forms and information a lender will ask for when processing a mortgage application.

What is the right type of mortgage for me?

This is possibly the most difficult part of the home buying process. There are three main types of mortgages: fixed interest rate, or fixed-rate mortgages; adjustable rate mortgages or ARMs; and interest-only mortgages. The four questions and answers that follow describe each of these, along with their advantages and disadvantages.

What are Fixed Interest Rate Mortgages?

As the name implies, the interest rate on a fixed-rate mortgage remains the same throughout the life of the loan. Fixed interest rate mortgages generally have repayment periods of between 10 and 30 years, and sometimes as long as 40 years. Shorter repayment terms generally offer lower interest rates but higher monthly payments. Longer repayment terms have lower monthly payments; however, because of the longer term, you'll also pay more in interest over the life of the loan.

What are Adjustable Rate Mortgages (ARMs)?

Adjustable rate mortgages, or ARMs offer a fixed interest rate for an initial period, after which time the rate adjusts annually based on different criteria. For instance, the rate on a 5/1 ARM is fixed for the first five years, and then adjusts each year after that. ARMs may be beneficial if you expect your income to increase steadily in the coming years, or plan to move in a few years and are not concerned by potential rate increases. But be wary: while ARMs typically offer lower initial interest rates, adjustments to the rate can be dramatic and have the potential to make the loan unaffordable.

What are Two-Step Mortgages?

The two-step mortgage is a type of ARM that adjusts only once, either five or seven years into the loan. After that single adjustment, the mortgage will remain at a fixed rate for the remainder of the 30-year repayment term.

What is an Interest-Only Mortgage?

Interest-only mortgages are in some ways similar to ARMs. For an initial period, the borrower repays only amortizing interest (payments that do not go toward the principal of the loan). The benefits of an interest-only loan are lower initial monthly payments. Disadvantages are that the borrower will repay more interest over the life of the loan, and that after the interest only period ends, monthly payments will rise significantly.

When do I find out what the interest rate will be?

You will be quoted an interest rate the day you apply. This rate may not be available to you when you actually close the loan, unless you lock it in. A rate-lock guarantees your rate for a specific period of time, usually 30 to 60 days. In many cases rates can be extended for a fee.

Remember, interest rates affect how much you can borrow. Higher rates can reduce the size of the mortgage for which you qualify.

Do all lenders have the same rate-lock policies?

No. Find out whether the rate lock will expire before the loan is processed, and whether the lender promises rapid turnaround time. If the rate-lock expires before the loan is processed and closed, it has no value. Ask if the lender provides a "rate re-lock" option in times of falling interest rates. Also, find out the lender's policy if they fail to approve your loan during the rate-lock period.

What are closing costs?

Closing costs encompass a variety of fees to complete the mortgage application process and actually obtain the loan. Fees vary from lender to lender, and each fee is associated with one part of the mortgage. Use the list below to verify that either you, an attorney, or your lender has completed all the necessary steps in the mortgage process:

- Application fee
- Origination fee
- Credit report fee
- Appraisal fee
- Lender's attorney fees
- Title search
- Title insurance
- Document preparation fee
- Plot plan (Lot drawing)
- Underwriting fee

What is private mortgage insurance (PMI)?

Private mortgage insurance allows borrowers to purchase homes with a low down payment (less than 20% of the purchase price), and protects the lender in the event the buyer fails to repay the loan. The cost of PMI is added to your monthly mortgage payments and closing costs.

What is escrow and what are the escrow requirements?

Escrow is the process by which money is put into the custody of a third party until certain conditions of an agreement are met; to cover the borrower's upcoming expenses, such as real estate taxes and homeowner's insurance. The payments you make into an escrow account are made over the life of the mortgage loan, and are part of your monthly mortgage payment.

What is a mortgage commitment?

When your loan is approved, the lender will send you a commitment letter, a formal loan offer stating the loan amount, terms, loan obligation fee, annual percentage rate and amount of principal, interest, taxes, and insurance. Furthermore, this letter states the amount of time necessary to accept the offer and close the loan.

The mortgage commitment letter may contain additional conditions that you must satisfy in order to close your loan. Until all of the conditions are satisfied and approved by the lender, your loan will not close. It is important to review the commitment letter carefully before you sign it. Remember, by signing the letter you agree to all of the loans terms it sets forth.

How long does it take to get a mortgage commitment letter?

It takes at least four to five weeks for the lender to evaluate and approve your application. The lender verifies all information on the loan application, including income, deposits and employment.

The lender must, by law, provide prospective borrowers with an itemized estimate of the costs to close a loan within three days of receiving the loan application. The lender must also provide you with a copy of the government publication A Home Buyer's Guide to Settlement Costs.

Among other things, the property must be appraised by a professional appraiser. An appraisal is a report that lenders use to determine the current market value of a property. It usually compares your home to at least three similar homes in the neighborhood that have sold within the last year. The appraisal ensures that the property you are buying has enough value to support the mortgage loan.

Lenders will not lend more than a certain percentage of the appraised value of the property. The percentage allowed can vary from lender to lender and can differ with each type of loan.

How can I speed up the process?

The most common way to speed things up is to reduce the time your lender is waiting for something. Respond to requests for additional information from your lender promptly. You can also contact your lender to check on loan status.

What can I do if my mortgage application is rejected?

Good communication between you and your lender is extremely important throughout the application process, but especially when an application has been rejected. Applications can be rejected because of inadequate income, poor credit or too much debt. Check your credit report to make sure it is accurate. Don't assume that if you've been denied by one lender, you will be denied by another.

By law, lenders are required to notify you in writing if your application is rejected or denied. Discuss the situation with your lender so you can:

- Clarify a situation that caused the rejection
- Try to improve your ability to qualify for a future mortgage

There are some instances in which the rejection is beyond your control. In other cases, you may be able to remedy the situation, either immediately or over a short period of time.

Glossary of Home Buying/Mortgage Terms

Speak with home owners, realtors, and mortgage professionals and you will quickly realize that there is another language devoted to the home buying and mortgage process. This glossary contains a number of terms that you will hear and should probably know as you make your way through the home buying process.

Acceleration Clause A provision in a mortgage that gives the lender the right to demand payment of the entire outstanding balance if a monthly payment is missed.

Acceptance A party's consent to enter into a contract and be bound by the terms of the offer.

Adjustable Rate Mortgage (ARM) A mortgage whose interest rate changes over time based on a pre-determined economic index.

Administrative Fee A fee charged by a lender to cover the administrative costs of processing your loan request (e.g., a lender fee).

Amenities Features of real property that enhance its attractiveness and increase the satisfaction of the occupant or user, even though the feature is not essential to the property's use (e.g., a swimming pool).

Amortization The gradual repayment of a mortgage by installments.

Annual Percentage Rate (APR) The total yearly cost of a mortgage stated as a percentage of the loan amount, including the base interest rate, primary mortgage insurance, and loan origination fee (points).

Application A form used by the lender to collect information about a prospective borrower and the property being used as collateral.

Application Deposit Funds required by a lender in advance of processing a loan request. Generally, a deposit is collected to cover the costs of an appraisal and credit report and may or may not be refundable.

Appraisal An evaluation of the property to determine its value for purposes of the mortgage loan. An appraisal is concerned chiefly with market value, or what the home would sell for in the marketplace.

Appreciation An increase in the value of a property.

Assessed Value The valuation placed on property by a public tax assessor for the purposes of taxation.

Assessment The process of placing a value on property for the strict purpose of taxation. Assessment may also refer to a levy against a property for a special purpose (e.g., streets, sidewalks, sewer systems etc).

Assumable Mortgage A mortgage that can be taken over ("assumed" by the buyer) when a home is sold.

Basis Point 1/100th of one percent.

Binder A preliminary agreement, secured by the payment of earnest money, under which a buyer offers to purchase real estate.

Building Code Local or state building regulations that govern the design, construction and materials used in a building.

Buyer's Broker A broker who represents the buyer in a fiduciary capacity.

Buyer's Market A situation in which the supply of properties available exceeds demand. As a result, sellers are forced to lower their prices to attract buyers.

Cap A provision of an ARM limiting how much the interest rate or mortgage payments may increase or decrease in any single adjustment or over the life of the loan. See also Lifetime Cap.

Certificate of Title Like a car title, this is the paper that signifies ownership of a home.

City/County Tax Stamp A tax that is required in some municipalities if a property changes hands or a new mortgage is obtained. The amount of this tax can vary with each state, city and county.

Clear Title A title that is free of clouds, liens, disputed interests or legal questions with regard to ownership of the property.

Closing Costs Sometimes called settlement costs, these are costs in addition to the price of the home, including mortgage service charges, title search and insurance, and transfer of ownership charges.

Closing Statement Also referred to as HUD1 or Settlement Statement (See HUD1 Statement).

Closing Day The date on which the title for property passes from the seller to the buyer, and/or the date on which the borrower signs the mortgage.

Cloud on Title Any condition that affects the clear title to a real property.

Commitment Letter A formal offer by a lender stating the terms under which the lender agrees to loan money to a borrower.

Comparable Sales Sales that have similar characteristics as the subject property and are used for analysis in the appraisal process.

Condominium A type of property that includes individual ownership of one unit in a multi-unit dwelling, and an undivided interest in the common area and facilities that serve the entire multi-unit project.

Consideration Anything of value to induce another to enter into a contract, i.e. money, services, a promise.

Contingency A condition that must be met before a contract is legally binding.

Contract An agreement to do or not to do a certain thing.

Cosigner Another person who signs your loan and assumes equal responsibility for it.

Credit Bureau An agency that gathers and keeps your credit record (e.g., Experian, Equifax and TransUnion).

Credit Report A report of an individual's credit history prepared by a credit bureau and used by a lender in determining a loan applicant's credit worthiness.

Deed A legal document that transfers ownership of a property from one person to another.

Default Failure to make mortgage payments on a timely basis or to comply with other conditions of a mortgage.

Depreciation A decline in the value of a home as the result of time, changes in the housing market, wear and tear, adverse changes in the neighborhood and its patterns, or any other reason.

Down payment An initial payment on a home, usually a specific percentage of the home purchase price, that is required of a borrower at the time of loan closing.

Earnest Money The deposit money given to the seller by the potential buyer to show that he/she is serious about buying the home. If the deal goes through, the earnest money is usually applied toward the down payment. If the deal does not go through, it may be forfeited.

Easement Rights A right of way granted to a person or company authorizing access to or over the owner's land. Electric companies often have easement rights across your property.

Encumbrance Anything that burdens (limits) the fee title to property, such as a lien, easement, or restriction of any kind.

Equal Credit Opportunity Act (ECOA) A federal law that prohibits lenders from denying mortgages on the basis of the borrower's race, color, religion, national origin, handicap, age, sex, marital status, or receipt of income from public assistance programs.

Equity The difference between the market value of the home and the amount of money you still owe on it.

Escrow The holding of documents and money by a neutral third party prior to closing; also an account held by the lender into which a homeowner pays money for taxes and insurance.

Escrow Account The account in which funds are held by the lender for the payment of real estate taxes and/or homeowner's insurance. This can also refer to the account in which funds are held for the completion of repairs or improvements to a property that cannot be completed prior to closing.

Escrow Funds Money, or papers representing transactions, that are given to a third party to hold until all conditions in a contract are fulfilled.

Fair Credit Reporting Act A consumer protection law that sets up a procedure for correcting mistakes on one's credit record.

FNMA Federal National Mortgage Association. A quasi-public corporation that purchases loans through the secondary mortgage market.

Fixed Rate Mortgage A mortgage in which the interest rate does not change during the entire term of the loan.

Flood Insurance Insurance required for properties in federally designated flood areas.

Foreclosure The process by which a mortgaged property may be sold by the mortgage lender when the homeowner fails to pay the monthly mortgage payment. The mortgage is considered in default.

Hazard Insurance Insurance to protect the homeowner and the lender against physical damage to a property from fire, wind, vandalism or other hazards.

Homeowner's Association Fee A term related to a condominium association's collection of money from the owners of each condominium. In determining whether you can afford the property, the lender will calculate the homeowner's association fee as part of your housing-to-income ratio. The fee pays for common expenses including insurance, maintenance, trash removal and is used to establish reserves for future major expenditures.

Home Inspection A complete and detailed inspection that examines and evaluates the mechanical and structural condition of a property. A complete and satisfactory home inspection is often required by the home buyer.

Homeowner's Insurance Insurance that protects a homeowner against the cost of damages to a property caused by fire, windstorms, and other common hazards. Also referred to as hazard insurance.

Home Mortgage Loan A loan used to buy a home.

HUD Also known as the U.S. Department of Housing and Urban Development; among other things, HUD ensures that home mortgage loans made by lenders meet minimum standards.

HUD-1 Statement Also referred to as the closing statement or the settlement statement, this document provides line-by-line information of the financial details related to a specific real estate transaction, such as the fees paid by the seller and the buyer for a purchase transaction.

Interest The fee charged for borrowing money.

Joint Tenancy A form of co-ownership that gives each tenant equal interest and equal rights in the property, including the right of survivorship.

Late Charge The penalty a borrower must pay when a payment is made after the due date.

Lender The bank, mortgage broker or financial institution providing the loan funds to a borrower.

Liabilities A person's financial obligations, including both long-term and short-term debt, as well as any other amounts that are owed to others.

Lien A legal claim against a property that must be paid when the property is sold.

Lifetime Cap A provision of an ARM that limits the total increase or decrease in the loan interest rate over the life of the loan.

Loan-to-Value Ratio (LTV) The relationship between the amount of a mortgage and the total value of the property.

Lock-In A written agreement guaranteeing the home buyer a specified interest rate, provided the loan is closed within a set period of time.

Margin The set percentage that the lender adds to the index rate to determine the interest rate of an ARM.

Mortgage Commitment The written notice from the bank or other lender saying that it will advance you the mortgage funds in a specified amount to enable you to buy the home.

Mortgage The legal document that pledges a property to the lender as security for payment of debt.

Mortgagee The bank or lender who loans the money to the mortgagor.

Mortgagor The homeowner who is obligated to repay a mortgage loan on a purchased property.

Non-Liquid Assets Any assets that cannot easily be converted into cash (e.g., property).

Offer to Purchase Real Estate A promise by a buyer to enter into an agreement to purchase real estate, provided certain terms and conditions are met by the property's seller.

Origination Fee A fee charged for the work involved in preparing and processing a proposed mortgage loan. This is stated as a percentage of the mortgage amount, or points, and is usually paid at closing.

PITI (P)rincipal, (I)nterest, (T)axes and (I)nsurance; a reference to the total monthly payment required to repay a mortgage in accordance with its term, as well as monthly escrow payments for taxes and insurance.

Points A one-time charge by the lender to increase the yield of the loan. A point is 1% of the mortgage amount.

Prepaid Expenses The initial deposit at the time of closing for taxes, hazard insurance, and the subsequent monthly deposits made to the lender for that purpose. Expenses may also include an interest amount.

Prepaid Items/Expenses Obligations paid in advance at a real estate closing.

Pre-Qualification The process of determining how much money a prospective home buyer will be eligible to borrow before a loan is applied for.

Principal The amount borrowed or remaining unpaid; also, that part of the monthly mortgage payment that reduces the outstanding balance of a mortgage.

Private Mortgage Insurance (PMI) Insurance provided by non-government insurers that protects lenders against loss if a borrower defaults.

Processing/Administrative Fee A fee charged by a lender to cover the administrative costs of processing a loan request.

Promissory Note A written contract containing a promise to pay a definite amount of money at a definite future time.

Purchase Agreement (PA) A written contract signed by the buyer and seller stating the terms and conditions under which a property will be sold.

Property Taxes Taxes based on the assessed value of the home, paid by the homeowner for community services such as schools, public works and other costs of local government. Property taxes are sometimes paid as part of the monthly mortgage payment.

Qualifying Ratios Guidelines applied by lenders to determine how large a loan may be granted to a home buyer.

Radon A naturally appearing radioactive gas, found in some buildings, that in sufficient concentrations may cause health problems.

Rate Lock An agreement by a lender to guaranty the interest rate offered for a mortgage provided the loan closes within a specified period of time.

Real Estate Agent A person licensed to negotiate and transact the sale of real estate on behalf of a buyer or a seller.

Real Estate Settlement Procedures Act (RESPA) A consumer protection law that requires lenders to give borrowers advance notice of closing costs.

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Recording Fees A fee charged by the local government to record mortgage documents into the public record so that any interested party is aware that a lender has an interest in the property.

Refinancing The process of paying off one loan with the proceeds from a new loan secured by the same property.

Repair and Maintenance The costs incurred in replacing damaged items or maintaining household systems to prevent damage.

Second Mortgage (Second Deed of Trust, Junior Mortgage or Junior Lien) An additional loan imposed on a property with a first mortgage. Generally, a higher interest rate and shorter term than a "first" mortgage.

Seller's Market An economic situation that favors the seller because the demand for property exceeds the supply.

Settlement Statement Also referred to as Closing Statement or HUD1 (See HUD1 Statement).

Severalty of Ownership Ownership by one person only. Sole ownership.

Special Assessment A tax for a specific purpose such as providing paved streets or new sewers. People whose properties abut the improved streets or tie into the new sewer system must pay the tax. Condominium owners may also be assessed for major repairs done in common areas of their building.

Survey A drawing that shows the legal boundaries of a property.

Tenancy by Entirety A type of joint ownership of property available only to a husband and wife.

Tenancy in Common A type of joint ownership in a property without the right of survivorship.

Title The evidence of a person's legal right to possession of property, normally in the form of a deed.

Title Company A company that specializes in insuring title to property.

Title Insurance This special insurance protects lenders against a loss of interest in a property due to unforeseen occurrences that have already occurred and might be traced to legal flaws in previous ownerships (e.g., forged deed). An owner can protect his interest by purchasing separate coverage. Lenders title insurance is required to be purchased when obtaining a mortgage loan. Usually, at closing, an owners title policy is offered to the buyer at a discounted rate when they are already purchasing the lenders policy. Purchasing both is usually a lower rate than if you were to purchase owners title insurance alone.

Title Search A check of the title records to ensure that the seller is the legal owner of the property, and that there are no liens or other claims outstanding.

Total Debt Ratio A standard calculation performed by mortgage lenders to determine if a borrower qualifies for a specific loan type. Total debt ratio is calculated by dividing the monthly housing expense (PITI plus all other monthly debt obligation) by the borrower's monthly gross income. This is also referred to as a "back-end ratio" or "bottom ratio."

Truth-in-Lending A federal law that requires lenders to fully disclose, in writing, the terms and conditions of a mortgage, including the APR and other charges.