

MORTGAGE TERMS

Adjustable-rate mortgages have low introductory rates that start out fixed but may fluctuate. An adjustable-rate mortgage could yield savings if you don't plan to stay in the home long.

Annual percentage rate (APR) reflects the true cost of borrowing. APR includes the interest rate, points and fees the lender charges. APR is higher than the interest rate because it encompasses all these loan costs.

Closing costs/settlement fees. Closing costs are charges added to the price of the property to complete a real estate transaction that paid for by buyers and/or sellers. Costs include loan origination fees, discount points, appraisal fees, title searches, title insurance, surveys, taxes, deed-recording fees and credit report charges.

Closing disclosure. A five-page document with final details about your selected mortgage loan. It includes the loan terms, your projected monthly payments, and how much you will pay in fees and other costs to get your mortgage (closing costs).

Conventional loans have stricter qualification requirements because the government doesn't insure them. These loans are a better fit for borrowers with strong credit.

Escrow. An account held by a neutral third party (an escrow agent) who works for both the lender and the borrower.

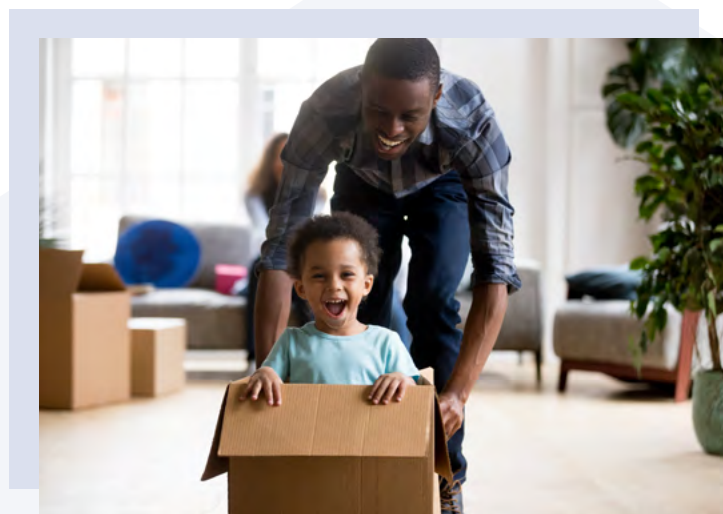
FHA loans are insured by the Federal Housing Administration. These loans may have more lenient credit score minimums and allow buyers to use gift money for part of the down payment.

Fixed-rate mortgages offer an interest rate that doesn't change over the life of the loan. The rate at which you buy a home will be the rate you keep until you sell or refinance.

Home appraisal. An appraisal tells the lender the market value of the home. Your mortgage loan will only be what the home is worth.

Loan estimate. A three-page document provided to homebuyers after they apply for a mortgage. It includes details about the loan request, including the estimated interest rate, monthly payment, projected closing costs, and estimated taxes and mortgage insurance. Compare the estimate to offers from other lenders to ensure it's the best deal.

Mortgage broker. An individual or company that connects borrowers and lenders to facilitate a mortgage loan. A mortgage broker may represent multiple mortgage lenders or offer loans from one source.



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Mortgage escrow. A lender may require a homebuyer to cover costs such as property taxes and homeowners insurance. After an initial deposit, borrowers pay into the mortgage escrow monthly — usually as part of the mortgage payment, with the mortgage servicer maintaining the account.

Mortgage lender. A financial institution, such as a bank, that offers the loan.

Mortgage servicer. The company that manages and processes your monthly mortgage payments. Your servicer may change if another company purchases your mortgage.

Points. Borrowers can pay lender “points” to reduce the interest rate on the loan — and lower your monthly payment. The cost of 1 point equals 1 percent of the loan amount (e.g., for a \$100,000 mortgage, 1 point will cost \$1,000). The interest rate deduction varies by lender and does not have to be a round number (e.g., one-eighth of a percent). If you purchase points, the one-time cost is added to closing costs.

Purchase escrow. A good-faith deposit paid into an escrow account by the homebuyer after a successful bid on a home — it assures the seller that the buyer is serious about purchasing the home. At closing, the deposit will go toward the buyer’s down payment or closing costs.

USDA loans are mortgage loans for homes in eligible rural areas that are guaranteed by the U.S. Department of Agriculture. These loans require no down payment and are only available to lower-income borrowers.

VA loans are backed by the U.S. Department of Veterans Affairs and only available to active servicemembers or veterans. These loans often require no down payment.

