



## Mortgage Glossary

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Appraisal	An estimate of how much a home is worth. Mortgage lenders require one before closing, and it must come from an independent third party.
Assets	Anything you own that has cash value. Your lender will verify this to ensure you have enough money in savings and investments to cover your mortgage in case of a financial emergency.
Authorized User Account	A credit agreement with a person who has no legal responsibility for paying the account but is authorized to make charges on the account with the account owner's permission.
Budget	A financial plan for spending and saving money. This is also known as a spending plan.
Capacity	An applicant's ability to earn enough income to make their mortgage payment and still be able to pay all other living expenses.
Closing Costs	Expenses over and above the purchase price of the property, which buyers and sellers incur in transferring ownership of said property.
Collateral	Property accepted as security for a loan; one of the "4 C's of Credit" that measures the value and condition of the house to make sure it is worth at least as much as is being borrowed.
Co-signer	A person who agrees to share credit responsibilities and repays the debt if the borrower defaults.

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Credit	The granting of money in exchange for a promise of future repayment.
Credit Counseling	Advice given by professional counselors to inform people about how to use credit responsibly and how to get out of debt.
Credit History	A record kept by the credit reporting agencies of how a borrower has repaid loans. One of the "4 C's of Credit," Credit History measures an applicant's likeliness to repay a loan based on how precious debts have been handled.
Credit Report	A record of how a consumer has repaid credit in the past; used as a guide to determine a potential homebuyer's creditworthiness.
Credit Score	A numerical value based on the analysis of a credit report that is used by creditors to predict how likely an individual is to repay a new loan.
Creditor	Any person or business to whom a consumer owes money and who has the right to undertake legal action to collect money owed.
Debt	Money owed. Also called liabilities.
Debt-to-Income (DTI) Ratio	The total monthly recurring payments as shown on your credit report divided by your total monthly gross household income. Lenders look at this when they consider you for a loan to make sure you have enough money to make your payments.
Deed	The physical document you receive that proves you own your home. You receive your deed when you close on your home.
Default	Failure to meet financial obligations, which may result in the lender foreclosing on the loan.
Down Payment	The initial payment you make when purchasing your home is typically a percentage of the purchase price of the home.
Earnest Money	Funds that are included with an offer to purchase a home and shows good faith in following through with the transaction.

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Equal Credit Opportunity Act (ECOA)	A Federal law that requires lenders and other creditors to make credit equally available without discrimination based on race, color, national origin, age, sex, marital status, or receipt of income from public assistant programs.
Equity	The appraised value of your home minus any outstanding mortgage and loan balances. This builds over time as you pay down mortgage balances and add value to your home.
Escrow	An account where the lender holds money for property taxes and homeowners insurance. This allows you to split the taxes and insurance over 12 months. These payments are added to your monthly mortgage payment.
Fair Housing Act	A federal law that prohibits discrimination in housing and real estate.
Finance Charge	The total dollar amount charged to use credit, which includes interest and other costs.
Fixed Expense	An expense that does not change from month to month such as an auto loan payment or rent.
Home Inspection	An objective examination of the physical structure and systems of a house, from the roof to the foundation. Tells you specific problems in the home. An inspector will walk around the home and test things like the heating and cooling system, light switches, appliances, etc. They will then give you a list of everything that needs to be repaired or replaced.
Homeowners Association	A group of homeowners within a defined community, neighborhood, or complex who make decisions, pay to maintain and repair land in common areas, and/or enforce community rules and covenants.
Homeowners Insurance	A form of property insurance that covers losses and damages to a person's residence, along with furnishings and other assets in the home. It also provides liability coverage against accidents in the home or on the property.
Joint Account	A credit agreement with two people where each is liable for payment.
Lien	A legal hold or claim of one person on the property of another as security for a debt or a charge that may be listed on a credit report as a public record.

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Listing Agent	A real estate professional who has a contract with the seller of a house to advertise the property for sale and represents the seller when offers are made. (Also called seller's agent)
Mortgage Payment	The total monthly loan payment known as principal, interest, taxes, and insurance. This is also known as PITI.
Origination Fee	A fee some lenders charge for submitting, processing, and evaluating a proposed mortgage loan.
Pre Approval	A document that tells you how much you qualify for in a home. This is based on factors such as credit score, income, and assets.
Predatory Lending	Any lending practice that imposes unfair and abusive loan terms on borrowers, including high interest rates, high fees, and terms that strip the borrower of equity. Often use aggressive sales tactics and deception to get borrowers to take out loans they can't afford.
Principal	The amount you take out in a loan from a lender. This amount reduces over time as you make payments on your loan.
Real Estate Agent	A property professional who can help you shop for a home in your price range, draw up offer letters, and work to get you a great deal on a home.
Refinance	The process by which one loan is replaced by another loan with more favorable terms such as a lower interest rate.
Reserves	A savings balance for after you close on your home. Money set aside to cover an emergency or repairs you need.
Survey	A professional measurement of a property and the land around it.
Term	The number of years you'll pay on your loan. The most common mortgage terms are 15 years and 30 years.
Title	A legal document establishing the right of ownership in a property.
Underwriting	The process of analyzing a borrower's finances in order to approve or deny a loan.

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