

Glossary

A

Amortization The gradual reduction of a debt by periodic payments of interest and principal that are large enough to pay off a loan at maturity. The loan is repaid through regular, monthly payments of principal and interest paid for a predetermined amount of time (30 years, 25 years, 20 years, 15 years, etc…).

Appraisal A written analysis of the estimated value of a property, as prepared by a qualified appraiser.

ARM (Adjustable Rate Mortgage) A mortgage in which the interest is adjusted periodically based on an index. Generally ARMs will have a fixed rate for a predetermined number of years and then adjust accordingly (a 1 year arm is 1 year of a fixed interest rate and then 29 years of an adjustable interest rate). Regardless of the number of fixed years (1 year, 2 year, 3 year, 5 year, 7 year or 10 year ARMS) the loan is amortized (scheduled for repayment) on a 30-year term. Arms are variable loans.

B

Balloon Usually a short-term fixed-rate loan which involves small payments for a certain period of time and one large payment for the remaining amount of the principal at a specific time (generally 5 or 7 years).

Bankruptcy A proceeding in a federal court in which a borrower who owes more than his or her assets can relieve the debts by transferring his or her assets to a trustee. A record of the filing remains on the borrower's credit report for up to 10 years.

C

Cash-out A refinance in which the borrower receives additional cash that can be used for any purpose.

Closing Costs Includes a loan origination fee, points, appraisal fee, title search and insurance, survey, taxes, deed recording fee, credit report charge and other costs assessed at the closing.

Construction Loans Loans to finance the cost of building a new home.

E

Equity The difference between the fair market value and current indebtedness (Current value minus all mortgage balances).

Escrow Generally, an account held by the lender into which the borrower pays money for tax or insurance payments.

F

FHA Loan A loan insured by the Federal Housing Administration open to all qualified home purchasers.

Fixed Rate A mortgage on which the interest rate is set for the term of the loan.

H

HELOC (Home Equity Line of Credit) Secondary financing that consists of a revolving line of credit secured by a lien to a mortgage.

I

Interest Rate The annual rate of interest on the loan, expressed as a percentage of 100.

J

Jumbo Loan A loan that is larger than conventional or conforming limits, generally more than \$300,700.00.

M

Mortgage A lien or claim against real property given by the borrower to the lender as security for the money borrowed.

Mortgage Insurance Money paid (generally as part of the monthly payment) to insure the mortgage when the down payment or equity is less than 20 percent.

O

Open-End Credit A line of credit that may be used over and over again, including credit cards, overdraft credit accounts, and home equity lines.

P

Points Additional money that can be paid to a lender to lower the interest rate on your loan at closing. Each point is equal to 1 percent of the loan amount; for example, 2 points on a \$100,000 mortgage would cost \$2,000.00.

Principal The amount of debt, not counting interest, left on a loan.

Purchase Loans Mortgage loans used to acquire residential properties. Randall Mortgage offers FHA and VA financing.

R

Revolving Debt Debt that typically has a variable interest rate, an open-ended term, and payments that are based on a percentage of the balance. The debt will have a set limit agreed upon by the lender and borrower.

V

VA Loan Mortgage loan made by an approved lender and guaranteed by the Department of Veterans Affairs. VA loans are made eligible to veterans and those currently serving in the military, and can have a lower down payment than other types of loans.