HOMEBUYER'S GUIDE

MOREIRA TEAM
POWERED BY MORTGAGERIGHT

The purpose of this guide is to take you through the before, during and after of your homebuying experience.

You will learn what affects your ability to get a loan, what you will need to qualify for a mortgage and what to expect after you get a mortgage.

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Am I Ready to Buy?

A home purchase is one of the largest investments that you may ever make. Are you ready? Here's 6 signs that you may be.

1

You're Sticking Around for a While

There's no rule barring you from moving after a home purchase. But if you buy a home and sell it shortly thereafter, any equity gained during your short stint as the owner could be lost to Realtor commissions (paid out of your proceeds). Ideally, you should live in a house long enough to make a profit. If you can't commit to an area, continue renting until you're ready to put down roots.

2

You're Prepared for the Responsibility of Owning

Renters have the luxury of calling up a landlord whenever there are property issues like broken appliances, pests, etc. Once you become a homeowner, you're responsible for all maintenance and repair costs, hence the importance of maintaining an emergency fund.

3

Your Credit is in Good Shape

You don't need perfect credit to buy a house. All the same, a higher score helps you qualify for a lower mortgage rate, saving you money in the long run. Depending on your mortgage program, you'll need a minimum credit score of 620 for approval. To qualify for the most favorable rate, however, wait until you have a score of 700 or higher.

4

You've Researched Your Options

It's important to understand the types of mortgages available before buying a home. Home loans range from conventional to government products; adjustable to fixed-rates; and 15-year to 30-year terms. A mortgage that's advantageous for a friend or relative might not be the suitable choice for you. Do your due diligence and speak with Alvaro Moreira at Moreira Team | MortgageRight.

5

You're Financially Stable

An underwriter isn't going to approve a mortgage unless you provide proof of stable, consistent income. But even if you can demonstrate financial stability on paper, you should only buy a house if you believe that your income will remain consistent for the foreseeable future.

6

You've Saved Up Enough Cash

Typically, you'll need a minimum down payment of 3.5% for an FHA home loan, and a minimum of 3% to 5% for a conventional home loan. You may also be responsible for closing costs, which average about 2% to 5% of the sale price. Keep in mind that you should also have some cash left in reserves after purchasing a home. Don't deplete your savings account on a home purchase; always maintain a cushion.

Loan Documentation Checklist

If you're thinking of buying a home, paperwork is going to play a big role in securing your mortgage.

This information is critical to helping your lender verify your income and assets. Underwriters have strict requirements they must follow that may require verification at several points during the application process.

Even with these documents ready, your lender may ask for other supporting information. It's common for loan officers to need additional documentation as they work through your loan application. To keep things moving on your loan, it's important to respond to your lender as quickly as possible.

Your Required Documents

Check off documents as you gather them.

Employment/Income

- ☐ Provide most recent paystubs for 1 month.
- ☐ Provide W-2's / 1099s for the past two years.
- ☐ If VA, provide DD214 & certificate of eligibility.
- ☐ Provide all pages and schedules of last two years personal Federal tax returns.
- ☐ If self employed, provide last two years business tax returns & corporate K-1's.
- ☐ If any rental income is received, provide copy of current lease agreement.

Assets

- ☐ Provide ALL pages of most recent 2 months statements for all accounts.
- ☐ If funds to close will come from a gift, employ gift letter from loan officer.
- ☐ If funds to close will come from sale of home, provide copy of closing disclosure.

Credit

- ☐ Copy of divorce decree.
- ☐ Letter of explanation for all recent credit inquiries.
- ☐ Copy of enlarged driver's license and social security card.
- ☐ Copy of bankruptcy papers, including all schedules and discharge, and credit explanation letter for reason of bankruptcy.
- ☐ Letter of explanation of any late payments, collections, charge off's or derogatory credit.

Insurance

- ☐ Homeowners Insurance Agent's Contact Information.

Can I Qualify?

There are a few main factors that impact your ability to be approved for a home loan.

Credit

Lenders look at your credit history to determine if you are a good candidate for a home loan. It serves as an indicator of your payment history.

Debt

In the lending world, especially the mortgage industry, Debt-to-income *(DTI)* refers to the percentage of your monthly gross income that goes toward paying your debt. It compares your debt to your overall income. The less obligation you have, the lower your debt-to-income ratio, and the easier it may be to get a mortgage. Affordability is critical when buying a house and calculating your debt-to-income ratio is one way to assess how much you can realistically spend on a property. Typically, your mortgage payment should not exceed about a third of your gross monthly income.

Employment History

Frequent job hopping—especially from one field to another—can be a sign of instability *(when it results in inconsistent earnings)*. As a general rule of thumb, stick with the same employer for at least 24 consecutive months before applying for a mortgage.

Down Payment

While many believe a 20% down payment is required or simply the most prudent, it's far from the only option. A variety of low down payment options are available that may help make your dream of home ownership a reality.

What Influences Your Credit Score?

Understanding what makes up your credit score is step number one to keeping up with and improving it.

To help achieve or maintain a healthy score, always remember the following:

- **Don't be afraid to use credit. You need several accounts in order to have a credit score. Just be sure to keep corresponding payments within your means.**
- **Have a system to assure your bills are always paid on time.**
- **Avoid late payments or the excessive use of credit by maintaining a cash "cushion" to pay for unexpected expenses.**
- **Don't "max out" your cards. It's better to have a high credit limit with a low balance.**
- **If you shop for credit, do so in the shortest time period possible to minimize inquiries counted against you.**
- **Consult your loan officer before closing old accounts, as the age of these can actually help your score.**

TIP: Check Your Credit to Avoid a Surprise Rejection

Credit report errors occur more than many realize, and unfortunately, these mistakes can reduce your credit score and make it harder to get a mortgage.

Order your free credit report each year from AnnualCreditReport.com. Contact creditors directly to correct inaccuracies or file a dispute with the credit bureaus.

Homeownership and Student Loan Debt

If you've recently graduated from college and you've racked up student loans, you're in good company. Recent reports have shown that nearly 44 million borrowers owe a staggering $1.48 trillion in student loan debt. For people ages 20 to 30 years old, the average monthly student loan payment is $351.

How much money you make relative to how much money you owe, is referred to as your debt-to-income ratio, and is a main consideration when seeking a mortgage.

There is a bright side to your student loan balance compared to other types of debt. Student loans are generally viewed by credit agencies as installment loans, like home mortgages and loans for automobiles. Credit card debt has a bigger impact on your credit score because it's considered revolving debt – meaning your balance can go up and down over time. Here's an example: carrying $25,000 in credit card debt is likely worse for your credit score *(and your ability to get a home loan)* than that same amount of student loan debt.

How Can You Get a Home If You Have Student Loan Debt?

If student loan debt is part of your financial equation, these tips could help you get a home: Pay your bills on time. Just like any financial obligation, making your student loan payments on time and in full makes the biggest impact on your credit *(and your ability to get a mortgage)*. If you pay on time, it's only going to help maintain or improve your credit score.

Modify the terms of your loan or loans. Another option to reduce your monthly student loan payment is to opt for a graduated repayment plan – meaning the payment starts low then rises every two years. The lower payment helps improve your debt-to-income ratio, which in turn makes it easier to qualify for a mortgage. This generally works well for younger workers who will likely have rising income as they become more experienced in their careers.

Not all loan programs will consider a reduced payment when qualifying an applicant. Your Moreira Team | MortgageRight Mortgage Loan Officer can assist you with selecting the most appropriate loan program for your situation.

Consider consolidation. If you have multiple student loans at various amounts and different rates of interest, you may be able to lump your balances together – hopefully at a lower interest rate – while potentially extending the payment term over a longer period of time.

Thankfully, there are several options for first-time homebuyers with student loan debt, including those with 100 percent financing and/or low down-payment requirements. Examples include Federal Housing Authority *(FHA)* loans that allow for a slightly higher debt-to-income ratio *(up to 43 percent)* and can have a lower minimum credit score. And if you or your spouse has served in the military, the VA Loan Guaranty program is available to you as part of the G.I. Bill.

How Much Can I Afford?

Affordability is critical when buying a house and calculating your debt-to-income ratio is one way to assess how much you can realistically spend on a property. Typically, your mortgage payment should not exceed about a third of your gross monthly income. But just because a payment is 28% to 30% of your gross income doesn't mean that you can afford it.

Depending on the amount of income going toward other monthly debts, a mortgage payment within these percentages might be too expensive for you. That is a reason that lenders calculate DTIs—to get a better picture of affordability.

As a general rule of thumb, your overall debt-to-income ratio, including your future mortgage payment, shouldn't exceed 36% to 43% of your gross monthly income.

On the other hand, if a mortgage increases your monthly debt payments to $3,000, your DTI jumps to 50%. You might not qualify for some homes until you've paid down or eliminated some of your other debts. This can include paying off car loans, student loans, credit cards, and other loans.

DTI Worksheet

To calculate your DTI, simply add up all your minimum monthly debt payments and then divide the total by the total on your monthly gross income. If you have a monthly gross income of $6,000 and monthly debt payments of $1,500, your debt-to-income ratio is 25%. In which case, you shouldn't have a problem qualifying for a mortgage.

Debts

Monthly Minimum Credit Card Payments	$
Monthly Car Payments	$
Monthly Personal Loan Payments	$
Monthly Student Loan Payments	$
Monthly Child Support / Alimony	$
Other Misc. Debts	$
Gross Monthly Debt	**$**

Gross Income

Monthly Gross Salary	$
Monthly Bonus and Overtime	$
Other Monthly Income	$
Monthly Child Support / Alimony Received	$
Gross Monthly Income	**$**

DTI = Gross Monthly Debt / Gross Monthly Income ______ **%**

Are You Getting Gift Money?

What You Need to Know and Provide.

Here are a few things you must know before funds start changing hands:

The "Donor"

The donor or provider of the gift must be a family member, fianc   or domestic partner. They must provide evidence that they have the ability to provide you with the gift. This proof of ability can be a copy of their bank statement, a copy of the canceled gift check or a signed letter from their bank attesting to the availability of funds in their account. The underwriter's discretion is always at play here, so more than one of these items may be required.

The Gift Letter

We will provide a form for the donor to complete and sign. It will include items such as the donor's name, address and relationship to you; the donor's account information; the property being purchased; the dollar amount of the gift; and the date or approximate date of transfer along with a statement that the funds are a gift with no expectation of repayment.

The Transfer

Documenting the transfer is vitally important. The donor should give the gift in the form of a check or wire. If by check, make a copy then deposit it in the account that is already being used for verification of funds to close. DO NOT combine this deposit with any other incidental deposits. You should provide a copy of the deposit slip or confirmation and either an online update or the next account statement to evidence that the deposit cleared into the account.

Some programs allow for the entire down payment to be in the form of a gift. Others may require that you have at least 5% of the purchase price from your own funds unless the total down payment is 20% or more. As these rules can vary or change at any time, never hesitate to consult with us for the specifics as they relate to your transaction.

While the documentation requirements may seem excessive at times, please remember that the underwriters are simply following the rules to assure that your down payment is not borrowed and that any allowable gift funds are coming from acceptable sources.

Get Pre-Approved Before You Start House Shopping!

GET PREAPPROVED TODAY!

Get Pre Approved today by visiting us online at moreirateam.com, or by calling Alvaro Moreira directly at 404-419-6710

Why Before?

Getting PRE-APPROVED before you start house hunting has numerous benefits!

- A pre-approval can help you determine your price range and budget.
- It can expedite the homebuying process once you've found your dream home.
- Gives you a competitive edge if there are multiple offers.
- Some Realtors won't even show you a home without one!

Benefits of Working with a Real Estate Agent

They have access to information on homes and neighborhoods that isn't always accessible to the public.

They are licensed professionals bound by law to act in the best interest of their clients.

They have experience dealing with contracts and conditions on a regular basis, which can help protect you when buying and selling.

They have experience with the home buying process and can help you navigate and negotiate.

They are compensated by the seller, NOT YOU *(the buyer)*!

Ready to work with an experienced and local Realtor? Get in touch with Ryan Lewis!

Contact him directly at 678-616-6518 to get started on your home search today!

House Hunting Checklist

Basic Home Requirements

Circle your desired number of bedrooms and bathrooms.

Minimum Bedrooms	1	2	3	4	5+
Minimum Bathrooms	1	2	3	4	5+

Home Features

Circle must-haves, check nice-to-haves and cross off unimportant features.

Structural

- ☐ Garage *(Minimum doors: ____)*
- ☐ Carport
- ☐ Single Story
- ☐ Multiple Stories
- ☐ Basement
- ☐ Attic

Exterior Features

- ☐ Deck/Porch
- ☐ Pool
- ☐ Fenced-in Yard
- ☐ Mature Trees, Shrubs
- ☐ Aluminum Siding
- ☐ Vinyl Siding
- ☐ Wood
- ☐ Brick

Heating and Air Conditioning

- ☐ Energy Efficient
- ☐ Central Air-conditioning
- ☐ Gas Fireplace
- ☐ Wood Fireplace
- ☐ Forced Air/Heat

Interior Features

- ☐ Hardwood Floors
- ☐ Laundry Room
- ☐ Mud Room
- ☐ Finished Basement
- ☐ Handicap Accessible
- ☐ Countertop Space
- ☐ Cabinet Space
- ☐ Eat-in Area
- ☐ Pantry
- ☐ Closet Space
- ☐ Family Room
- ☐ Formal Dining Room

Location

- ☐ Quiet Street
- ☐ Cul-De-Sac
- ☐ Strong Schools
- ☐ Walking Neighborhood
- ☐ Privacy
- ☐ Public Transportation
- ☐ Parks/Playground
- ☐ City Services
- ☐ Street Lights
- ☐ Parking
- ☐ Proximity to Work
- ☐ Neighborhood Pool

Other

- ☐ ______________________
- ☐ ______________________
- ☐ ______________________
- ☐ ______________________
- ☐ ______________________
- ☐ ______________________
- ☐ ______________________
- ☐ ______________________

Down Payment Options

While it’s true that buying a home often requires cash for a down payment and closing costs, it is possible to buy with limited funds.

Yes, it’s true, 20% down is an ideal amount, but by no means a requirement. Today, down payment guidelines are more relaxe, and we can offer you a variety of affordable mortgage programs.

Low to No Down Payment Mortgages

If you’re thinking about buying a home, but don’t think you’ll qualify due to limited resources, you’ll be happy to know that many programs allow purchases with as little as 3% to 5% down.

You can get an FHA home loan with as little as 3.5%, and you can qualify for conventional home loans with only 3% to 5% down. Also, if you’re active duty, a veteran or the eligible spouse of a qualifying veteran, you can purchase a home using a zero-money-down VA home loan.

Are you thinking about buying a property in a rural area? If so, a zero-down USDA home loan might be an option. And the good thing about USDA loans is that you don’t have to live in the middle of nowhere! Many small suburbs and towns on the outskirts of metropolitan cities qualify as rural and may be eligible for these loans.

State Homebuyer Assistance Programs

In addition to a low down payment mortgage, you may be eligible for a homebuyer’s down payment assistance program offered by your state. These programs are designed to make homeownership more affordable and accessible to borrowers. If eligible, you can receive help with your down payment and/or closing costs.

The type of help varies by location. Some eligible homebuyers receive a second mortgage to cover their down payment or a no-interest loan, whereas others might receive a homebuying grant. To learn about state homebuying assistance programs in your area, visit the online website for the U.S. Department of Housing and Urban Development (HUD).

There’s many programs that allow purchases with as little as 3% to 5% down!

Lender-Specific Down Payment Assistance Programs

Along with mortgage programs, statewide homebuyer assistance programs, some individual mortgage lenders have their own down payment assistance program.

Program requirements do vary depending on the mortgage company. For example, some programs are specific to first-time homebuyers. Others may only provide assistance to those with low-to-moderate incomes. In either case, these programs provide eligible borrowers with down payment and/or closing cost assistance, up to a certain percentage, which puts homeownership within their reach.

Understanding Private Mortgage Insurance

If you take advantage of a low down payment mortgage, it's important that you understand how private mortgage insurance works.

What is Private Mortgage Insurance (PMI)

Private mortgage insurance, or PMI, is a type of insurance that's often required when buying a home with less than a 20% down payment. As the homeowner, you'll pay PMI monthly premiums with your home loan payment. This type of insurance protects your mortgage lender in the event of default.

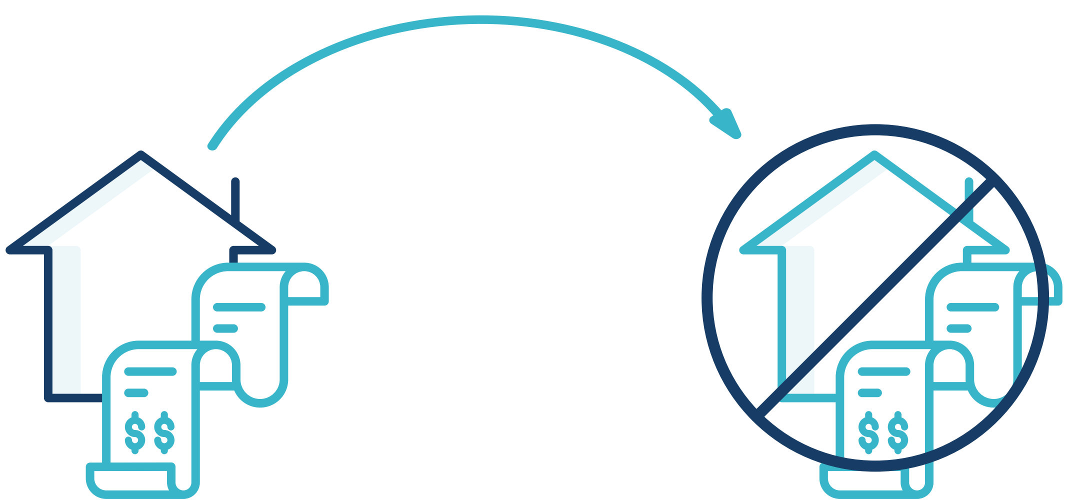
Private mortgage insurance is specific to conventional home loans, which typically require a minimum down payment between 3% and 5%. But this isn't the only type of mortgage program that requires mortgage insurance. USDA and FHA home loans also require mortgage insurance when a borrower puts down less than 20%.

How to Get Rid of Private Mortgage Insurance?

If you decide to purchase a home with a lower down payment and pay the PMI, you may be possible to eliminate this expense in the future.

If you have a conventional mortgage, the good news is that mortgage lenders waive mortgage insurance once the property has at least 22% equity, although you can request its removal once the property has 20% equity.

To get rid of mortgage insurance with an FHA home loan, you would have to refinance the mortgage once the property has 20% equity.



Best Practices for Closing On Time

Before Writing a Contract

- Get with your Loan Officer to secure your pre-qualification.
- Start Shopping Homeowner's insurance companies.
- Start gathering documents needed for application.

To Stay On Track

- Have closing attorney listed in contract.
- Sign initial disclosures within 24 hours of contract acceptance.
- Provide your Loan Officer with all requested documents within 48 hours.

At Contract Signing

- Avoid last minute changes & negotiations.
- Schedule walk-throughs & repairs earlier in the process .
- Coordinate back to back closings carefully.

IMPORTANT!

DO NOT do the following while your loan is in process!

- **Apply for any new credit or make any large purchases.**
  This could ultimately affect how much you qualify for.
- **Quit or change jobs.**
  We need a steady income and history of your current job for qualifying purposes.
- **Close any revolving credit accounts.**
  This can actually have a negative impact on your credit score and bring your score down.
- **Move your money around in your bank accounts.**
  We have to source where all your money is coming from and it makes that easier for both sides if you keep your money in your current accounts.
- **Make any large deposits into your bank account other than your paycheck.**
  We will have to source these deposits and ask for additional paperwork. If the deposit was not made with the intention to use for the loan's cash to close, we may not be able to use that money.

Defining your Mortgage Loan Options

The Basics of Mortgage Loan Programs

With any home purchase, there are a lot of things to learn – including the differences between your mortgage loan options. Knowing how these different loans work will help you decide on a loan that's right for you and your unique financial situation.

Conventional Mortgage Loans

Simply put, a conventional loan is a mortgage that is not insured or guaranteed by any government agency –like the FHA, VA, the USDA Rural Housing Service. These loans are available through private lenders such as banks, credit unions or mortgage companies.

Minimum credit score and down payment: 620, but 700 is the minimum for a good mortgage rate and 740 is the minimum for the best rates. Traditionally, a conventional loan required a 20% down payment. Lenders can now offer lower down payments to compete with FHA loans; down payment requirements vary for each lender and your individual credit history. Conventional loans do offer programs that require a 3% down payment for low-to-moderate income and/or first-time home buyer applicants.

Federal Housing Administration (FHA) Loans

An FHA loan is a mortgage insured by the Federal Housing Administration and issued by federally qualified lenders. They are designed for low-to-moderate income borrowers who can't make a large down payment on a home. In these loans, the government isn't lending the money. The borrower pays a yearly or monthly insurance premium to the FHA to insure the loan.

FHA loans are designed to help people with little to no credit purchase a home. In addition to your credit report, the lender can look at your payment history for rent, car or utilities as a way to determine your ability to pay.

Minimum credit score and down payment: Those with credit scores of 600 or higher may generally qualify for a 3.5% down payment. What's more, the 3.5% down payment can be paid with a grant or a gift, making home ownership more widely available to those without a lot of cash.

Fixed Rate Mortgage Loans

If you like predictability, a fixed rate mortgage might be for you. As the name implies, fixed rate mortgages have interest rates that stay the same over the life of your loan. That means the principal and interest portion of your monthly payment will not change. Fixed rate mortgages offer predictability and stability as you are planning your budget, making them one of the most popular types of financing available. While it is attractive to know your monthly payment, fixed rate mortgages can be the most expensive in terms of your up-front costs due to higher interest rates.

Fixed rate loans can be either be conventional or backed by FHA and have terms of 15 or 30 years.

Minimum credit score and down payment: Some lenders will accept a 620 credit score but may have additional requirements including lowering outstanding debt. Down payment requirements vary depending on your lender and type of loan, but a minimum of 3% down is a good starting point.

Adjustable Rate Mortgage (ARM) Loans

An adjustable rate mortgage is a type of loan where the interest rate varies through the life of the loan. The starting interest rate is fixed for several years (typically 3 to 10 years), but then resets periodically. People choose an adjustable rate mortgage for several reasons, most notably for a lower initial interest rate that keep your monthly payments low during the initial term of the loan.

There are many combinations of ARMs, and that's why is critical to understand the specific terms of your loan. For example, a 5/1 ARM means a fixed rate for five years that afterwards may adjust annually – but will not exceed the loan's interest rate cap. ARMs can be difficult to understand. Because of the flexibility lenders have in the margins, caps on interest rates and other elements of the loan, those with little experience can get quickly be overwhelmed. And because of this variation, it's important to compare the different types of ARMs using a mortgage calculator.

Minimum credit score and down payment: Most conventional ARMs require a credit score of 620 or higher. They also require at least a 5 percent down payment and optimally up to 20 percent or more.

USDA Mortgage Loans

USDA loans are backed through the Rural Housing Division of the U.S. Dept. of Agriculture. They are available to millions of eligible primary homebuyers with low to moderate incomes or scarce funds for down payments.

No down payment is required for USDA loans. Thirty-year, fixed-rate loans with no pre-payment penalty are the norm, and rates are very competitive with conventional loans.

These loans are limited to “rural” areas, though you might be surprised by some of the suburbs of major metropolitan areas that qualify by that definition. Homes should be modest in size and cost and constructed per local codes and regulations.

Minimum cash is required to close with a USDA loan. The USDA Guarantee Fee and eligible closing costs may be financed. Gift money, grant money and seller contributions are allowed.

Funds are available for qualified borrowers who earn up to 115% of the area median income. Even candidates who have had past credit issues with late pays, bankruptcies or foreclosures may be eligible. Borrower’s income must support the proposed payments and meet the program requirements for approval. Primary occupancy is required. This program is not for investment properties.

VA Mortgage Loans

Veteran’s Administration or “VA” loans are available for active, non-active and retired Army, Air Force, Marine, Navy, National Guard and Coast Guard vets who meet the established service requirements. These loans have flexible guidelines and other features not available with other loan programs.

To determine your ability to participate in this program, just provide your Certificate of Eligibility (COE) or your Discharge/Separation form (DD214). If you do not have your COE, you can request one using form 26-1880.

The most notable features and benefits for those who qualify are:

- **100% financing/No down payment**
- **No monthly mortgage insurance (PMI)**
- **Gift funds acceptable for closing costs**
- **No cash reserve requirements**
- **A variety of terms or loan types available**
- **Available for purchase and refinance**
- **Reduced costs for disabled veterans**
- **Seller can pay for closing costs**
- **Seller pays for any required repairs**
- **No pre-payment penalty**

Understanding Your Mortgage Statement

Your monthly mortgage payment will most likely be comprised of four things: Principal, Interest, Taxes, and Insurance – known as PITI.

P I T I

Principal

The portion of your monthly payment that reduces the balance of your loan amount.

Interest

The portion of your monthly payment that is applied toward your interest.

Taxes

Usually one-twelfth of the annual property tax bill. The Servicer holds the payments in escrow until the taxes are due.

Insurance

Property insurance is required on every home. Like taxes, they are made with each payment and held in escrow until the bill is due to be paid.

Mortgage Terms

Adjustable Rate Mortgage (ARM): A mortgage in which the interest rate is locked in for a specific time period (usually five years), but can then fluctuate annually depending on the federal prime rate after the locked rate period expires. The fluctuating interest rate can increase or decrease the amount of your monthly mortgage payment.

Appraisal: A comprehensive report that determines the value of your property based on a number of valuation factors.

Annual Percentage Rate (APR): The rate that shows the true cost of borrowing. It factors in the interest rate of your loan, plus all the costs associated with obtaining the loan.

Closing: The final step in the loan process when loan documents are signed at an escrow or title company.

Closing Costs: The amount of money that must be paid to close your loan, including lender fees and third-party charges, along with taxes and transfer fees.

Credit Report: A tool used by the bank or lender to review your credit profile and your ability to carry and repay debt.

Debt-to-Income Ratio: The ratio of monthly liabilities and housing expenses divided by the monthly gross income of the borrower.

Down Payment: An upfront payment made by the homebuyer toward the property purchase price, usually ranging from zero to 20 percent. The remainder of the sales price makes up the mortgage loan amount.

Earnest Money: A deposit paid to the seller by the buyer as a pledge to complete a real estate transaction. If the seller accepts the offer, the deposit is held in escrow and applied to closing costs when the deal is closed.

Escrow: A third party intermediary who holds and allocates funds, including taxes and insurance in a mortgage transaction.

Fixed Rate Mortgage: A mortgage in which the interest rate on the home loan doesn't change over the entire life of the loan. Gross Income: The sum of all wages, salaries, profits, interest payments, rents, and other forms of earnings, before any deductions or taxes.

Home Equity: The value of a property less any and all existing liens. If a borrower owns a property worth $500,000 and has liens of $400,000, equity is $100,000.

Loan Officer: A representative of a bank or broker who originates mortgages on their behalf.

Loan Processor: The individual who handles all the paperwork associated with closing your loan.

Lock: The act of securing an investment rate on a loan. After a lock, future rate fluctuations in the market won't affect the interest rate on your loan.

Mortgage Due Date: The date your mortgage payment is due each month during the loan's duration.

Mortgage Payment: The cost of your loan, paid monthly.

Mortgage Rate: The interest rate associated with your mortgage.

Mortgage Rate Lock: The act of locking-in a desired interest rate on your mortgage so it cannot change.

Mortgage Term: The length of your mortgage. Most are 30 years, though 15 years is also very common.

Points: Percentage points of the loan amount. Often in order to get a lower interest rate, lenders will allow borrowers to lower the rate by paying points upfront.

Pre-Approval: Process where lender collects all required documents to verify your income, assets & credit and gives you a definite idea of what you can afford. A formal commitment to lend.

Pre-Qualification: Process to determine what you can afford to ensure you can obtain mortgage financing when purchasing a property.

Principal: The balance of the liens on a property, not including interest. What you owe on your mortgage.

Underwriting: The process of verifying that the borrower's documentation adheres to a specific loan program's guidelines.

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