



# Homebuying GLOSSARY

all  
financial  
services

### 1 Adjustable-Rate Mortgage (ARM)

A type of loan with an interest rate that varies depending on how the market rates fluctuate. Your interest rate and monthly payments may change periodically, during the life of the loan, based on the fluctuation of an index

### 2 Amortization

A loan amortization is the process of how payments are spread out over time. It's the gradual reduction in the principal amount owed on a debt.

### 3 Annual Percentage Rate (APR)

The annual cost of a loan to a borrower. The APR includes other charges or fees (such as mortgage insurance, most closing costs, discounts points and loan origination fees) to reflect the total cost of the loan.

### 4 Application Fees

Nonrefundable fees paid when you apply for your loan.

### 5 Appraisal

A rough estimate of how much your home is worth. A professional appraiser usually performs the appraisal.

### 6 Appraisal Contingency

The probability in a sales contract that the property must appraise at a value that is equal to or greater than your offering price.

### 7 Appraiser

The person who performs an appraisal.

### 8 Assets

An asset is anything that you own that has a cash value.

### 9 Balloon Loan

A balloon loan, or balloon payment mortgage, is a loan that gets its name from the end of your loan repayment period and provides you with a lower-than-usual monthly payment for a set period of time.

**10 Basis Point**

An amount equal to 1/100th of a percentage point.

**11 Broker**

An individual or firm who arranges funding or negotiates a contract between parties, but does not lend the money.

**12 Buydown**

A way for a borrower to obtain a lower interest rate by paying discount points (lump-sum prepayment) at closing.

**13 Closing**

The time and place, at which all documents for your loan are signed, dated, and notarized.

**14 Closing (Closing Date)**

The date that you will complete the entire buying process. The date ownership of the property is officially transferred from the seller to the buyer.

**15 Closing Costs**

Settlement costs and fees you pay to your lender in exchange for finalizing your loan.

**16 Closing Disclosure (CD)**

A document which provides you with key information on the final terms of your loan. CD's are required to be received by consumers no later than 3 business days before they close on the loan.

**17 Co-borrower**

An additional person who assumes equal responsibility for repayment of a loan.

**18 Coinsurance**

Coinsurance depends on the relationship between the amount of the policy and a specified percentage of the actual value of the property insured at the time of the loss.

**19 Debt-To-Income (DTI) Ratio**

Your DTI is equal to your total fixed, recurring monthly debts divided by your total monthly gross household income.

**20 Deed**

A deed is a signed legal document that transfers ownership of an asset to a new owner.

**21 Discount Points**

Also referred to as mortgage points or prepaid interest points, are a one-time fee paid upfront.

**22 Down Payment**

The amount of cash you pay toward the purchase of your home to make up the difference between the purchase price and your mortgage loan. Your down payment is the first payment you make on your mortgage loan.

**23 Earnest Money Deposit**

A down payment made as a sign of good faith. The deposit is typically made when a purchase agreement is signed.

**24 Equity**

The difference between the current worth of your home and the amount owed on your mortgage.

**25 Escrow**

Funds deposited with the lender, in holding accounts for your property tax payments and homeowners insurance premiums. An escrow account allows you to split taxes and insurance over 12 months instead of paying it all at once.

**26 Escrow shortage**

An escrow shortage occurs when the balance in your escrow account drops below the required minimum balance.

**27 Fannie Mae**

The Federal National Mortgage Association, commonly known as Fannie Mae

**28 FHA**

Federal Housing Administration

**29 Fixed-Rate Mortgage**

A fixed-rate mortgage has a predetermined fixed interest rate throughout the entire term of the loan.

**30 Freddie Mac**

The Federal Home Loan Mortgage Corporation, known as Freddie Mac

**31 Home Inspection**

An appraisal gives you a rough estimate of how much a home is worth, but an inspection tells you about specific problems in the home.

**32 Homeowners Insurance**

Insurance to protect your home's structure against damage from fire, hurricanes and other catastrophes.

**33 PITI**

Stands for principal, interest, taxes and insurance.

**34 Preapproval**

A lender's conditional agreement, of a potential borrower, to lend a specific amount of money to a homebuyer under a specified set of terms.

**35 Principal**

The amount that you take out in a loan. It is the portion of your monthly payment that reduces the principal balance of a home loan.

**36 Private Mortgage Insurance (PMI)**

A type of insurance that protects the lender if you default on your loan.

**37 Property Taxes**

Your property taxes depends on your home's value and where you live.

**38 Real Estate Agent**

Property professional who can help you shop for a home. Two main types of real estate agents: seller's agents and buyer's agents.

**39 Refinance**

Typically with a new loan at a lower rate of interest.

**40 Seller Concessions**

The closing costs that the seller has agreed to pay.

**41 Settlement**

A property's sale or purchase, or the completion of all steps to receive the proceeds of a loan.

**42 Short Sale**

A sale that takes place when a financially distressed homeowner sells their property for less than the amount due on the mortgage.

**43 Term**

The number of years it will take you to pay off your loan.

**44 Title**

Written proof of ownership of a property.

**45 Title Insurance**

Purchased to protect the borrower against issues that would affect legal ownership of the property.

**46 Underwriter**

The person who approves or denies a home loan, based on the lender's underwriting and approval criteria.

# Contact

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