Mortgage Terminology

Below are some commonly used terms that you will see when working with your DSLD Mortgage Loan Originator!

MORTGAGE
The transfer of an interest in property to a lender as a security for a debt. This interest may be transferred with a Deed of Trust in some states.

LOAN TO VALUE (LTV) RATIO
A percentage calculated by dividing the amount to be borrowed by the price or appraised value of the home to be purchased (whichever is less). The loan to value ratio is used to qualify borrowers for a mortgage, and the higher the LTV, the tighter the qualification guidelines for certain mortgage programs become. Low loan to value ratios are considered below 80 percent, and carry lower rates since borrowers are lower risk.

PITI: PRINCIPAL, INTEREST, TAXES, AND INSURANCE
The four elements of a monthly mortgage payment; payments of principal and interest go directly towards repaying the loan while the portion that covers taxes and insurance goes into an escrow account to cover the fees when they are due.

PRE-PAID ITEMS
Lenders often require the prepayment of items such as insurance premiums for private mortgage insurance, homeowner's insurance, and real estate taxes.

SETTLEMENT COSTS/CLOSING COSTS
The customary costs above and beyond the sales price of the property that must be paid to cover the transfer of ownership at closing; these costs generally vary by geographic location and are typically detailed to the borrower at the time the GFE is given.

ESCROW ACCOUNT
An impound account in which a portion of your monthly mortgage payment is deposited to cover annual charges for homeowner’s insurance, mortgage insurance (if applicable), and property taxes.

DEBT-TO-INCOME RATIO (DTI)
A debt-to-income ratio is one way lenders measure your ability to manage the payments you make every month to repay the money you have borrowed.

LENDERS
A lender typically makes loans to borrowers directly. A lender receives payment through fees charged to you at settlement, payment from interest when you make your monthly mortgage payments, and payments if they sell your loan or the servicing of your loan after settlement.

MORTGAGE BROKERS
Some companies, known as a mortgage broker may not make loans themselves but will offer to find you a mortgage lender willing to make you a loan. Mortgage brokers typically are paid through fees charged to you at settlement or through a higher interest rate that reimburses the lender for compensating the broker. Mortgage brokers are not required to find the best deal for you unless they have contracted with you to act as your agent, or representative, or they have a duty to do so under state law.

GOOD FAITH ESTIMATE (GFE)
An estimate of the settlement charges you are likely to incur; it also contains other information about the loan.

POINT(S)
Amount of money paid to reduce the interest rate on a loan. A point is usually equal to 1 percent of the loan amount.

TITLE INSURANCE
Insurance that protects your lender against any title dispute that may arise over your property. Through a title search, the lender verifies who the actual property owners are and whether the property is free of liens. The title search company then issues title insurance which protects the title of the property against any unpaid mortgages and judgments. In case a claim is made against the property, the title insurance provides legal protection and pays for court fees and related costs. You may also purchase owner's title insurance which protects you as the homeowner.

DOWN PAYMENT
The portion of a home’s purchase price that is paid in cash and is not part of the mortgage loan.

INTEREST RATE
The charge by the lender for borrowing money expressed as a percentage.

ORIGINATION FEE
A fee charged to the borrower by the loan originator for making a mortgage loan.

Source: http://www.consumerfinance.gov/owning-a-home/