

MORTGAGE DICTIONARY

dictionary for first-time homebuyers



THE MORTGAGE DICTIONARY

easy to understand



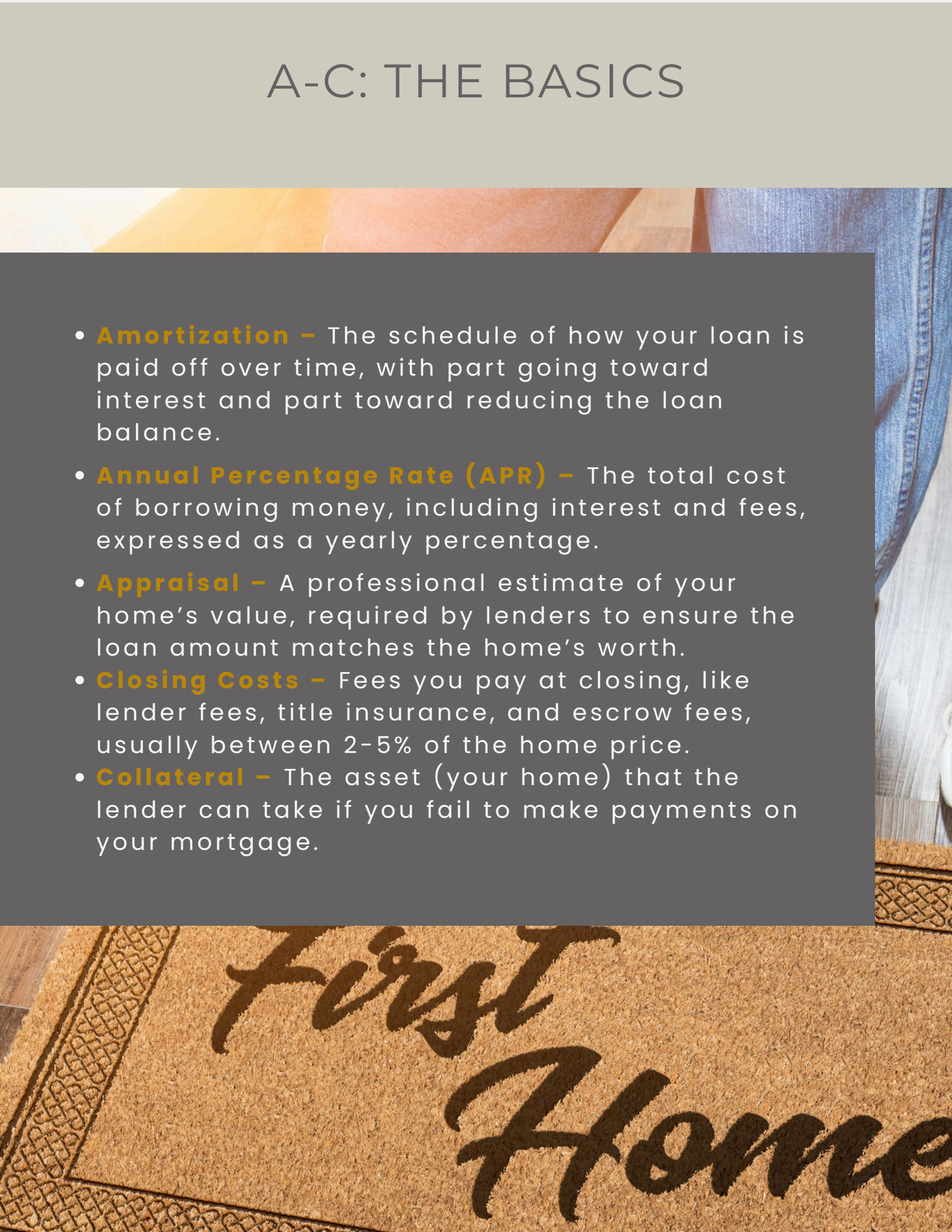
THE MORTGAGE DICTIONARY

Easy-to-Understand Terms for Homebuyers

Buying a home or refinancing a mortgage comes with a lot of unfamiliar jargon. This guide simplifies the most important mortgage terms so you can navigate the process with confidence!

A-C: THE BASICS

- **Amortization** – The schedule of how your loan is paid off over time, with part going toward interest and part toward reducing the loan balance.
- **Annual Percentage Rate (APR)** – The total cost of borrowing money, including interest and fees, expressed as a yearly percentage.
- **Appraisal** – A professional estimate of your home's value, required by lenders to ensure the loan amount matches the home's worth.
- **Closing Costs** – Fees you pay at closing, like lender fees, title insurance, and escrow fees, usually between 2-5% of the home price.
- **Collateral** – The asset (your home) that the lender can take if you fail to make payments on your mortgage.



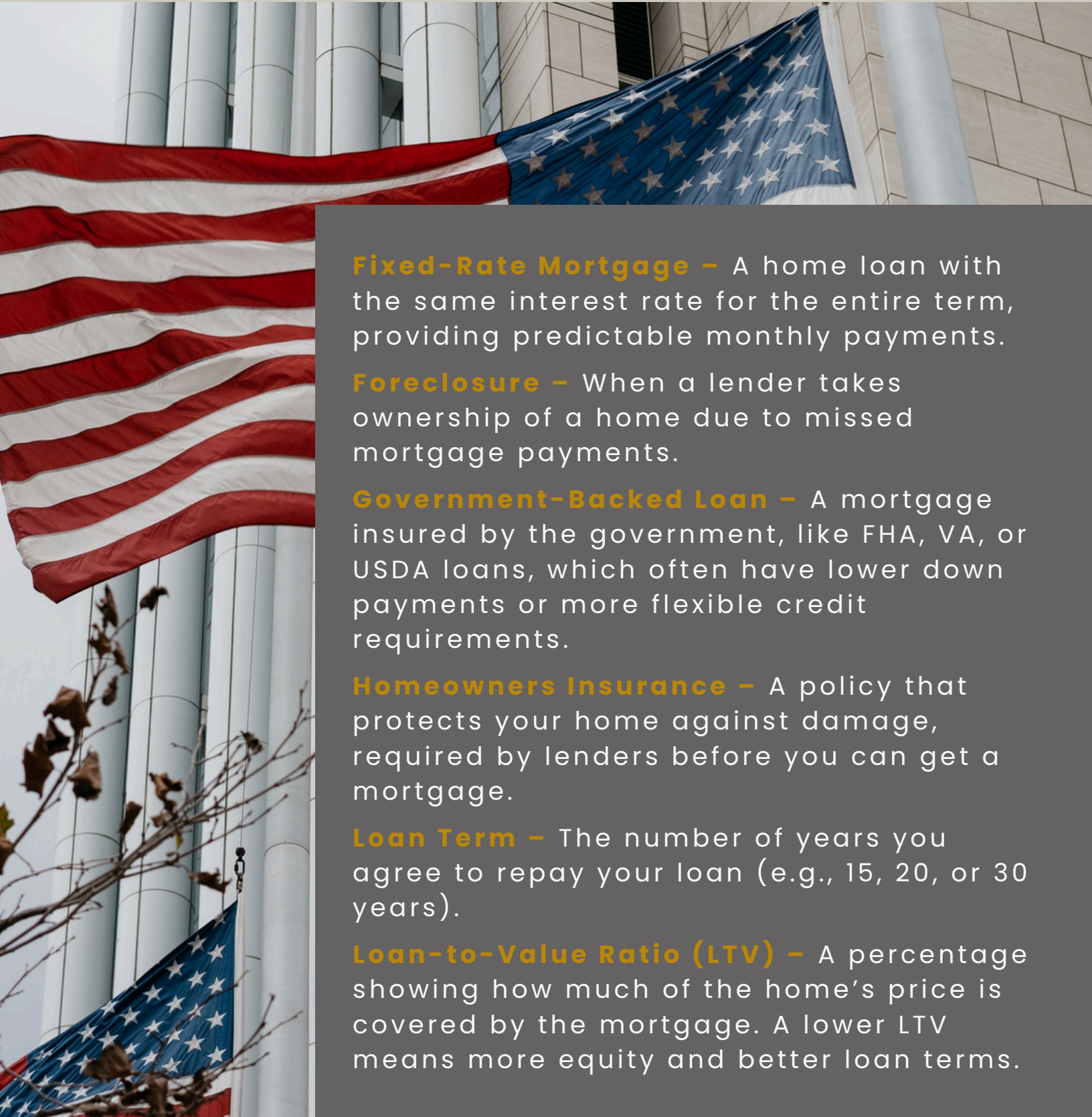
First Home

D-F: KEY LOAN DETAILS

- **Debt-to-Income Ratio (DTI)** – The percentage of your income that goes toward debt payments, including your mortgage. Lenders use this to determine how much you can borrow.
- **Down Payment** – The money you pay upfront for a home, usually a percentage of the purchase price. Some loans allow as little as 3% down.
- **Earnest Money** – A deposit made when your offer is accepted, showing the seller you're serious. It's applied to your down payment at closing.
- **Equity** – The portion of your home you actually own. It's the home's value minus what you still owe on your mortgage.



G-M: UNDERSTANDING YOUR LOAN OPTIONS



Fixed-Rate Mortgage – A home loan with the same interest rate for the entire term, providing predictable monthly payments.

Foreclosure – When a lender takes ownership of a home due to missed mortgage payments.

Government-Backed Loan – A mortgage insured by the government, like FHA, VA, or USDA loans, which often have lower down payments or more flexible credit requirements.

Homeowners Insurance – A policy that protects your home against damage, required by lenders before you can get a mortgage.

Loan Term – The number of years you agree to repay your loan (e.g., 15, 20, or 30 years).

Loan-to-Value Ratio (LTV) – A percentage showing how much of the home's price is covered by the mortgage. A lower LTV means more equity and better loan terms.

N-Z: CLOSING & BEYOND

Origination Fee – A fee charged by lenders to process your loan, usually a percentage of the loan amount.

Points (Discount Points) – A way to lower your interest rate by paying extra upfront. One point typically costs 1% of your loan amount.

Pre-Approval – A lender's written estimate of how much you can borrow, based on your income, credit score, and debts.

Principal & Interest (P&I) – The two main components of your mortgage payment. Principal reduces your loan balance, while interest is the cost of borrowing.

Private Mortgage Insurance (PMI) – Required for most loans with less than a 20% down payment. PMI protects the lender if you default.

Refinancing – Replacing your current mortgage with a new one, usually to get a lower interest rate or change loan terms.

Title Insurance – Protects you and the lender from ownership disputes or past issues with the home's title.

Underwriting – The lender's process of reviewing your financial situation to approve your loan.



KNOWLEDGE IS POWER

FINAL THOUGHTS

Understanding mortgage terms helps you feel confident when buying or refinancing a home.

If you have questions, reach out to our team—we're here to guide you every step of the way!

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