



For when you reach your life's milestones

SOME THINGS YOU NEED TO KNOW ABOUT BUYING YOUR FIRST HOME.

ADJUSTABLE RATE MORTGAGE (ARM)

A mortgage with an interest rate that may change, based on an outside economic factor such as the Prime Rate.

AMORTIZATION SCHEDULE

A chart that shows how your house payment is divided between the interest and the principal.

ANNUAL PERCENTAGE RATE (APR)

The actual rate you pay on your mortgage, including both the interest rate and any additional finance charges.

APPRAISAL

An independent estimate of your home's market value.

ASSESSED VALUE

How local government officials value your home for property tax purposes.

CLOSING

The meeting at which your home purchase actually takes place. The sellers, you, the real estate agents, and a representative from the company handling the closing are present. Everyone reviews and signs the documents that are related to the sale, and the company handling the closing ensures the proper payments are made.

CLOSING COSTS

Costs involved with the purchase of your home that are not part of the purchase price, such as the appraisal fee or title insurance. As a buyer, you are usually responsible for these costs.

COVENANTS

Some neighborhoods or communities have specific rules property owners must follow, such as what types of fencing or outdoor recreation equipment are allowed.

DEBT-TO-INCOME RATIO

A number of lenders use this to determine your ability to afford a home, which is determined by dividing your total monthly debt payments by your monthly income.

DEED (OR TITLE)

A legal document that describes the property and specifies who owns it.

DISCLOSURES

Information the seller shares about current or potential defects with your home.

DOWN PAYMENT

The money you pay the lender at closing. Your mortgage amount will be the difference between the purchase price and your down payment.

EARNEST MONEY

A deposit given to the seller of your home to lock in the offer and prevent the seller from selling to someone else.

EQUITY

Another word for ownership. When used in conjunction with your home, it refers to the percentage of the home you actually own. For example, if your home is worth \$200,000 and you still owe \$120,000 on the mortgage, your equity is \$80,000.

ESCROW

A special account maintained by an independent third party in which funds can be held until the conditions of a contract are met. The term also refers to the account the lender maintains to pay homeowners' insurance and/or property taxes on the homeowner's behalf.

FLOOD INSURANCE

If your home is located in a floodplain, you will be required to buy this insurance. Ordinary homeowners' insurance does not cover damage from flooding.

HOME INSPECTION

A process carried out by a professional inspector to ensure that your home is safe, and identify areas that need to be repaired.

JOINT TENANCY WITH RIGHT OF SURVIVORSHIP

A type of ownership in which two or more owners have equal ownership. Upon the death of one of the owners, ownership passes to the surviving owner(s). This is the approach used by most married couples.

LIEN

A legal claim in which a property owner owes money to someone, typically either for unpaid taxes or for work on the home for which payment was not made. A home generally cannot be sold until any liens are satisfied.

LOAN-TO-VALUE (LTV)

This is a ratio expressing a percentage of your home's value that a lender is willing to lend. For example, a lender that will lend up to 90 percent of LTV to a borrower would be willing to lend up to \$180,000 on a \$200,000 home.

MORTGAGE INSURANCE

If your down payment is small and your LTV is high, the lender may require you to buy insurance that protects its investment if you fail to make your payments as promised.

POINTS

Additional fees paid to the lender to obtain a mortgage or a lower rate. One point equals one percent of the overall loan amount.

PREAPPROVAL

Applying for and receiving approval on a loan amount before making an offer on your house.

PRINCIPAL

The actual amount of the loan.

PITI (PRINCIPAL, INTEREST, TAXES, AND INSURANCE)

The total of a borrower's monthly payment, including all four of those components.

PROPERTY TAX

Schools, fire protection, police, parks and other municipal services are funded by these taxes on the value of your home.

TITLE INSURANCE

A special insurance policy that guarantees the accuracy of the title information and protects the lender if there is a problem with the title. The buyer pays for this insurance.

TITLE SEARCH

A review to verify the correctness of a home's title. The buyer pays for this review.

UNDERWRITING

The word that describes the process a lender follows to verify all of the information in a loan application is accurate, and the lender's many steps involved in getting ready for closing.

ZONING

Local laws that regulate how your property may be used.