



HOMEBUYING GLOSSARY

APPRAISAL After you make an offer on a home, your lender will order an appraisal to get a professional opinion on the value of the home. This is necessary step in getting your financing secured as it validates the worth to you and your lender.



APR

This is a broader measure of your cost for borrowing money. The APR includes the interest rate, points, broker fees and certain other credit charges a borrower is required to pay. Because these costs are rolled in, the APR is usually higher than your interest rate.

5%
APR

CLOSING COSTS

The costs to complete the real estate transaction. These costs are in addition to the price of the home and are paid at closing. They include points, taxes, title insurance, financing costs, items that must be prepaid or escrowed and other costs. Closing costs are generally 2 to 5% of your home purchase price.

DISCOUNT POINTS

A point equals 1% of your loan (1 point on a \$200,000 loan = \$2,000). You can pay points to buy down your mortgage interest rate. It's essentially an upfront interest payment to lock in a lower interest rate on your mortgage.

CREDIT SCORE

A number, ranging from 350 – 800, that is based on an analysis of your credit files. Your credit score plays a significant role when securing a mortgage as it helps lenders determine the likelihood that you'll repay future debts. The higher your score the more options may be available to you, including a lower interest rates.

DOWN PAYMENT

This is a portion of the cost of your home that you pay upfront to secure the purchase of the property. Down payments are typically 3 to 20% of the purchase price of the home, with 11% being the average. for 2017.

ESCROW

The holding of money or documents by a neutral third party before closing. It can also be an account held by the lender (or servicer) into which a homeowner pays money for taxes and insurance.

FIXED-RATE MORTGAGES

A mortgage with an interest rate that does not change during the entire term of the loan. Fixed-rate mortgages are typically 15 or 30 years.

MORTGAGE RATE

The interest rate you pay to borrow the money to buy your house. The lower the rate, the better.



PRE-APPROVAL LETTER

A letter from your lender that will tell you how much home you can afford and the maximum amount you are qualified to borrow. Having a pre-approval letter in hand while shopping for homes can help you move faster, and with greater confidence, in competitive markets.



PRIMARY MORTGAGE INSURANCE (PMI)

If you make a down payment of less than twenty percent on your conventional loan, your lender will require PMI, typically at a rate of .51%. PMI serves as an added insurance policy that protects the lender if you are unable to pay your mortgage and can be cancelled from your payment once you reach 20% equity in your home.