



Mortgage Terms

- Adjustable Rate Mortgage (ARM)** - Interest rates on this type of mortgage are periodically adjusted up or down, depending on a specified financial index.
- Amortization** - repayment of a mortgage debt with equal periodic payments of both principal and interest, calculated to retire the obligation at the end of a fixed period of time.
- Annual Percentage Rate (APR)** - the actual finance charge for a loan, including points and loan fees, in addition to the stated interest rate.
- Application Fee** - a one-time fee charged by the mortgage company for processing your application for a loan. Sometimes called the "origination fee."
- Appraisal** - an expert opinion of the value or worth of a property.
- ARM** - see "Adjustable Rate Mortgage."
- Broker** - an individual who acts as the agent of the seller or buyer. A real estate broker must be licensed by the state.
- Buy-Down Mortgage** - a mortgage with a below-market interest rate made by the lender in return for an interest rate subsidy in the form of additional discount points paid by the builder, seller or buyer.
- Buyer's Market** - economic conditions in which the supply of housing exceeds demand. Sellers may be forced to make substantial price concessions.
- Cap** - limit on how much the interest rate can increase in an ARM.
- Closing** - "Closing the deal," the meeting where the deed to the property is legally transferred from seller to buyer.
- Commission** - fee (usually a percentage of total transaction) paid to an agent or broker for services performed.
- Comparative Market Analysis** - a survey of attributes and selling prices of comparable homes on the market or recently sold; used to help determine pricing strategy for a seller's property.
- Condominium** - type of real estate ownership where the owner has title to a specific unit and shared interest in common areas.
- Contingency** - a condition in a contract that must be met for the contract to be binding.
- Contract** - binding legal agreement between two or more parties that outlines the conditions for the exchange of value.
- Cooperative (Co-op)** - real estate ownership where all shareholders own the whole property, but each has proprietary occupancy rights for specific units.
- Counteroffer** - when the seller or buyer responds to a bid. If you decide to offer \$100,000 for a home listed at \$150,000, the seller might counter your offer and propose that you purchase the home for \$140,000. That new proposal, and any subsequent offer, is called a counteroffer.
- Credit Report** - a credit report lists all of your credit accounts such as charge cards, and provides detail on payment history. Lenders use this information in determining eligibility for loans.
- Down Payment** - percentage of the purchase price that the buyer must contribute with their own funds.
- Earnest Money** - a deposit paid when the sale contract is signed before the closing. In some locations, it's called the "Binder."
- Equity** - the difference between the market value of the property and what is owed on the property.
- Escrow** - a fund or account held by a third party custodian until conditions of a contract are met.
- Fee Simple** - the most basic type of ownership, under which the owner has the right to use and dispose of the property at will.
- Fixed Rate Mortgage** - interest rates on this type of mortgage remain the same over the life of the loan term. Compare to "Adjustable Rate Mortgage."
- Foreclosure** - the legal action taken to extinguish a homeowner's right and interest in the property, so that the property can be sold in a foreclosure sale to satisfy a debt.
- Graduated Payment Mortgage (GPM)** - monthly payments start low and increase at a predetermined rate. Compare to "ARM."

