

The Savvy Homeowners Glossary

45 Indispensable Words Every Homeowner Should Know and Understand

1. **Adjustable Rate Mortgage (ARM):** A mortgage interest rate that changes based on an index over time.
2. **Agreement of Sale:** A sale contract.
3. **Amortization Schedule:** A schedule showing how the monthly mortgage payment is applied to the principal, interest, and the current mortgage balance.
4. **Appraisal:** An evaluation of homes within the surrounding area to determine the market value of the property.
5. **Appreciation:** An increase in the value of property.
6. **Borrower:** The person or persons responsible for the loan, also the mortgagor.
7. **Cash Reserve:** The cash balance a borrower has left after closing, available for the first one or two mortgage payments.
8. **Certificate of Occupancy:** A certificate issued by a governing - agency stating that the building has been approved for occupancy.
9. **Closing:** Finalizing the purchase and financing documents and the disbursement of funds to all parties.
10. **Closing Costs:** All the costs associated with the loan and the purchase, not including the actual cost of the property.
11. **Commitment Letter:** Formal notification from a lender stating the terms of the loan.
12. **Contingency:** A specific condition to an agreement or contract.
13. **Credit Report:** A report of credit history used to determine an individual's credit worthiness, usually provided by a credit bureau.
14. **Debt-to-Income Ratio:** The percentage of one's earnings used to qualify for a mortgage.
15. **Earnest Money:** A deposit given to a seller by a prospective buyer.
16. **Easement:** A right-of-way given to others to access over and across the property.

17. **Equity:** The difference between the market value and the outstanding mortgage balance.
18. **Fixed-Rate Mortgage:** A mortgage in which the rate of interest is fixed for the entire term of the loan.
19. **Flood Insurance:** Insurance for properties in designated flood areas by the government.
20. **Hazard Insurance:** Homeowner's insurance.
21. **Homeowner's Warranty:** Insurance that covers repairs for the home for a specified period of time.
22. **Lien:** A legal claim against a property that must be paid when the property is sold.
23. **Loan-to-Value Ratio (LTV):** The difference between the mortgage amount and the value of the property. Example: Home Value = \$ 1'()00'000; Mortgage amount = \$900,000; LTV = 90%.
24. **Lock-in Rate:** A written guarantee b lender for a specific r interest rate.
25. **Mortgage Broker:** A company that matches s borrowers with lenders for a fee.
26. **Mortgage Insurance:** Insurance that is provided by independent insurers that protects the lender in the event of a mortgage default.
27. **Mortgagee:** The lender.
28. **Mortgagor:** The borrower.
29. **Origination Fee:** The fee paid to a lender for processing a loan; also called points.
30. **Owner Financing:** When the seller of the property provides all or part of the financing.
31. **Plot Plan:** A map prepared by a licensed surveyor depicting the exact placement of a house on a lot.
32. **Points:** One-time charge by a lender. One point is one percent of the mortgage amount.
33. **Prepayment Penalty:** Fees charged to a borrower for paying off a loan prior to the maturity date.
34. **Pre-Qualification:** Pre-determining a buyer's financial borrowing prior to a purchase. Pre-qualifying does not guarantee loan approval.

35. **Principal:** The total loan amount borrowed or the total unpaid balance of the loan.

36. **Radon:** A radioactive gas which, if found in sufficient levels can cause health problems.

37. **Refinancing:** Paying off an existing load with a new loan on the same property.

38. **Settlement Sheet:** The costs payable at closing to determine the seller's net proceeds from the sale and the buyer's required net payment.

39. **Survey:** A drawing showing the legal boundaries of the property.

40. **Title:** A legal document establishing the right of ownership.

41. **Title Company:** A company that specializes in insuring the title to the property.

42. **Title Insurance:** Insurance that protects the buyer and the lender against losses arising from disputes over ownership of the property.

43. **Title Search:** A search of legal records to ensure that the seller is the legal owner of the property and that any liens or claims against the property are identified.

44. **Transfer Tax:** State or local taxes due when title to property transfers from one owner to the other.

45. **Underwriting:** The process of evaluating a loan application to determine whether or not it's acceptable to the lender.