



Mortgage Language Guide:

PITI (Principal, Interest, Taxes, Insurance)- The four elements of a monthly mortgage payment.

Principal- The amount of money borrowed to buy a house. This does not include interest.

Appraisal- Determines a property's current market value prepared by an appraiser. This is not a home inspection.

Closing Costs- Fees for final transfer of property that are not included in the price of the property and all one time charges associated with obtaining financing.

DTI (Debt to Income) ratio- The percentage of monthly income that goes towards debts and determines your purchasing power or ability to buy.

Escrow Account- A separate account into which the lender puts a portion of each monthly mortgage payment. It provides funds for needed expenses such as property taxes, homeowners insurance, and mortgage insurance.

GFE (Good Faith Estimate)- An estimate of all closing fees including pre-paid and escrow items as well as lender charges.

Home Inspection- An examination of the structure and mechanical systems to determine a home's quality, soundness and safety. Is often paid by the buyer and makes the potential buyer aware of any repairs that may be needed. This is not an appraisal or required for your loan approval.

HOI (Homeowner Insurance)- An insurance policy that combines protection against damage to a dwelling and its contents.

HUD-1 Settlement Statement- Also known as "closing statement" and it itemizes all closing costs. It is given to the borrower before closing. Items that appear on the statement include real estate commissions, loan fees, points, and escrow amounts.

LTV (Loan to Value) ratio- A percentage calculated by dividing the amount borrowed by the price or appraised value of the home to be purchased. The higher the LTV, the less cash a borrower is required to pay as a down payment.

Mortgage Insurance- Required for borrowers with a down payment less than 20% of the home's purchase price.

Survey- An official drawing that shows characteristics and boundaries of the property. Not required for loan approval, but recommended for your protection.

Title Insurance- Insurance that protects the lender and/or owner against any claims that arise from arguments over ownership of the property. This policy guarantees accuracy of a title search protecting against errors. This is not an Owner's policy.

Underwriting- the process of analyzing the loan application and documentation to determine if it meets the lender's loan standards.

VOE (Verification of Employment)- Income analysis from your employer to verify your income and employment history.

4506-T- Summary of income reported to the IRS for two previous years.

ARM (Adjustable Rate Mortgage)- A mortgage loan subject to changes in interest rate