



Home Buying Glossary

Home buying can be confusing. We've put together a list of the most common words you'll see during this process along with their definition, so you can navigate the process like a pro.

Adjustable-rate Mortgage (ARM): loan that offers a lower interest rate for a period of time (often between 5-10 years), but has the ability to change your interest rate and payments every year after the fixed term period

Amortization: paying off debt with a fixed repayment schedule in regular installments over a period of time

Appraisal: an estimate of value, used for both buying and selling homes

Basis Points: one hundredth of one percent used in expressing differences in interest rates

Bidding War: the result of multiple offers on a home that causes the cost of the home to rise beyond the initial asking price

Bridge Loan: an option if you are purchasing a new home before selling your previous residence, lenders combine current and new mortgage into one payment until your home is sold and you can refinance; great for homeowners with excellent credit and low debt-to-income ratios

Closing: a meeting to sign documents that transfer ownership from seller to buyer hosted by a third party; a certified check to cover closing costs and down payment is required

Closing Costs: Charges paid at settlement for obtaining a mortgage loan and transferring a real estate title

Contingency: dependence on the fulfillment of a condition; a requirement to be addressed before closing

Conventional loan: see Fixed-rate Loan

Counter Offer: a response with new terms after the rejection of the first or prior offer

Credit Report: information regarding credit that includes data, loans, credit history, payment history, et cetera

Credit Score: a number between 300 and 850 that reflects your credit report

Down Payment: money required upfront in order to purchase a home and is the difference between the purchase price and mortgage; ranges as a percent of the purchasing price based on loan type

Earnest Money: a sum of money paid to the seller to show the buyer is serious; taken out of your down payment

Equity: the difference between the value of the home and what is owed on it; can be both positive and negative

Escrow: the handling of paperwork and funds by a third party on behalf of the buyer/seller

FHA Loan: a loan that requires a down payment as little as 3.5% for a 15 or 30 year loan under \$417,000; buyers are required to pay mortgage insurance

Fixed-rate Loan: most common type of loan prescribes a single interest rate and payment for the entire life of the loan (usually 15-30 years)

Home Owners Association (HOA): a community group responsible for the upkeep of common areas in your community that require monthly or yearly dues; responsible for cohesive community and may require approval before changes can be made to the exterior of a home

Locking a “rate”: ability for your lender to secure a home loan rate for 60-90 days that protects buys from rising interest rates

Mortgage: the charging of real property by a debtor to a creditor on the condition that it shall be returned on payment of the debt within a certain period

Mortgage Broker: an intermediary who brings mortgage borrowers and mortgage lenders together but does not use their own funds to originate the loan

Mortgagee: the lender in a mortgage, typically a financial institution

Multiple Offers: the condition of having multiple buyers’ interest in a home that may result in a bidding war

Private Mortgage Insurance (PMI): type of mortgage insurance bundled with your monthly payments that protects your lender if you stop making payments and is terminated when the loan balance reaches 78% of the original home value; a down payment of 20%+ may prevent the need for PMI

Title: evidence of a person’s legal right to a property, usually in the form of a certificate or deed

Underwriting: the process a lender uses to determine if the risk of a mortgage loan is acceptable

USDA Loan: designed for families in rural areas, the government finances 100% of the home price—no down payment necessary—as long as your debt load does not exceed your income by more than 41%; mortgage insurance is required

VA Loan: a loan given to US veterans who have served 90 consecutive days during wartime, 180 during peacetime, or 6 years in the reserve and require little to no money down or private mortgage insurance