



MORTGAGE TERMS YOU SHOULD KNOW



Pre-Qualification

an estimate of how much a lender may be willing to lend based on preliminary information from the borrower



Pre-Approval

the amount a lender would be willing to lend based on initial documentation of your income, assets, credit history, and debts (not a guaranteed loan offer)



Earnest Money

deposit made by the buyer when the contract for the sale is signed to prove that they are seriously pursuing the purchase



Due Diligence

actions that a responsible buyer should take to evaluate the property they're buying, including having a home inspection



Contingencies

clauses in a purchase contract that allow you to cancel if certain conditions aren't met, like if it doesn't appraise for the contract price, or the inspection reveals major issues



LTV (Loan to Value Ratio)

the amount of money you are borrowing compared to the value of the home (example: a 10% down payment is a 90% LTV)



DTI (Debt to Income Ratio)

the percentage of your monthly debt and expenses in relation to your monthly income



Fixed vs. ARM

a Fixed Rate Mortgage has a set interest rate for the entire term of the loan, whereas an Adjustable Rate Mortgage (ARM) means that your interest rate may go up or down based on changes in the market



Appraisal

when an independent third party evaluates a home to determine its current market value



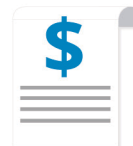
Closing Costs

all the fees and expenses associated with closing on a home, usually around 6% of the cost of the home



Escrow

a process where additional funds are collected with your mortgage payments, then your lender uses them to pay things like property taxes and home insurance premiums on your behalf



Monthly Mortgage Payment

principal, interest, taxes, mortgage insurance, fees, and all the costs included in your monthly mortgage payment



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ALL LOANS ARE SUBJECT TO CREDIT APPROVAL.



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