MORTGAGE TERMINOLOGY

ADJUSTABLE RATE MORTGAGE (ARM)	A mortgage whose rate of interest is adjusted periodically to reflect market conditions.
ANNUAL PERCENTAGE RATE (APR)	The annual rate that is charged for borrowing (or made by investing), expressed as a single percentage number that represents the actual yearly cost of funds over the term of a loan. This includes any fees or additional costs associated with the transaction.
BRIDGE LOAN	Short-term mortgage made until a longer-term loan can be made. Used when a person needs money to purchase a home before the present one has sold.
CLOSING	The final step in the sale and transfer of ownership. The buyer signs the mortgage and pays costs of the settlement.
CLOSING COSTS	The amount of money, in cash, needed at the time of signing ownership documents on the mortgage. Closing costs generally include: down payment, first year taxes, lawyers fees, survey/abstract fees, homeowner's insurance, etc. At the time of loan approval, we will give you a Loan Estimate of closing costs.
CONCESSIONS	Concessions are anything that sweetens the pot in a real estate deal. In the case of sales, they might be in the form of cash back to the buyer, a reduction in sales price, or the inclusion of a few appliances in the deal. Most commonly, however, concessions involve sellers picking up some or all of the closing costs.
CONTINGENCY	Generally part of a purchase or sales contract that will honor or cancel a contract if an event occurs.
ESCROW	A financial instrument held by a third party on behalf of the other two parties in a transaction. The funds are held by the escrow service until it receives the appropriate written or oral instructions or until obligations have been fulfilled. ie. Property tax payments, with your monthly mortgage payments, can be held in escrow and paid automatically when the tax bill is due.
FICO	A type of credit score that makes up a substantial portion of the credit report that lenders use to assess an applicant's credit risk and whether to extend a loan. Using mathematical models, the FICO score takes into account various factors in each of these five areas to determine credit risk: payment history, current level of indebtedness, types of credit used, length of credit history, and new credit.

INTEREST RATE	Interest is essentially a rental, or leasing charge to the borrower, for the asset's use. When the borrower is a low-risk party, they will usually be charged a low interest rate; if the borrower is considered high risk, the interest rate that they are charged will be higher.
LOAN OFFICER	Also known as a Loan Originator. They are representatives of banks, credit unions and other financial institutions that find and assist borrowers in acquiring loans. Some specialized loan officers, called loan underwriters, analyze and assess the creditworthiness of potential borrowers to see if they qualify for a loan. Loan officers usually work on either consumer or mortgage loans.
LOAN-TO-VALUE RATIO (LTV)	A lending risk assessment ratio that financial institutions and others lenders examine before approving a mortgage.
MORTGAGE BANKER	Mortgage bankers use their own funds, or funds borrowed from a warehouse lender, to fund mortgages. After a mortgage is originated, a mortgage banker might retain the mortgage in portfolio, or they might sell the mortgage to an investor. Additionally, after a mortgage is originated, a mortgage banker might service the mortgage, or they might sell the servicing rights to another financial institution. A mortgage banker's primary business is to earn the fees associated with loan origination. Most mortgage bankers do not retain the mortgage in portfolio.
PITI	Acronym for Principal, Interest, Taxes and Insurance.
PRIVATE MORTGAGE INSURANCE (PMI)	A policy provided by private mortgage insurers to protect lenders against loss if a borrower defaults. Most lenders require PMI for loans with loan-to-value (LTV) percentages in excess of 80%.
POINTS	The initial fee charged by the lender, with each point being equal to 1% of the amount of the loan. It can also refer to each percentage difference between a mortgage's interest rate and the prime
PRINCIPAL	Principal is the money used to pay down the balance of the loan. Monthly mortgage payments usually include Principal, Interest, Insurance, and Taxes. Principal is the actual balance on the loan.
RATE LOCK	A "rate lock period" is customary while we're processing your information. It's a lender's promise to hold a certain interest rate and points for a specified amount of time, preventing customers from following the application process from start to finish, only to be surprised with an interest rate higher than they'd applied for. At Premium Mortgage Corporation, the average rate lock period lasts for 60 days.

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