MORTGAGE *Lingo*

AMORTIZATION:
Amortization is the process of paying off the principal and interest on your loan. You may see it expressed as an amortization schedule—essentially an outlook of every payment you need to make until you've paid off the balance of the loan in full.

APPRAISAL:
An appraisal is an unbiased estimate of your property's fair market value by a licensed professional. It's something that is typically required by all lenders during the mortgage process to ensure that the loan amount does not exceed the value of the home. A property's appraisal is based on a number of factors—including location, condition, and sales of similar homes in the area.

APPRAISAL GAP:
In a competitive market, it may be necessary to offer above the list price of a home. If the appraiser does not value the home at your offer price, you may agree to bring in the difference between the sales price and offer price to closing to ensure the seller receives the full amount of proceeds. While this is never required, it is a strategy that is commonly used to win in multiple offer sitations.

APR:
The annual percentage rate (APR) is your interest rate plus ancillary charges and fees—such as closing costs and discount points- expressed as a yearly rate. By law, a loan's APR is always expressed as a percentage next to the interest rate. The APR gives the best indication of the total cost of your mortgage.

CLOSING DISCLOSURE:
A closing disclosure (CD) is a standardized document from the lender that provides final details about the mortgage loan. It includes the loan terms, projected monthly payments, fees, and other closing costs. The lender is required to give you the CD at least 3 business days before the date of close so you can compare it against the loan estimate (LE). If something on your CD doesn't look right, be sure to ask your lender about it prior to close.

DEBT TO INCOME (DTI):
Your debt-to-income ratio is a large factor in determining the purchase price that you are qualified for. Lenders calculate your DTI by dividing your minimum monthly debt obligations with your gross monthly income.

HOMEOWNER'S INSURANCE (HOI:)
Homeowners insurance is a form of financial protection against loss or damage to your home in the event of burglary, fire, or natural disaster. Most lenders require proof of a homeowners insurance policy prior to closing. That's because the lender wants to protect their investment as much as you do—and if something ever happened to your home, they want to know that you'll have the resources to pay off your loan. Better has an in-house insurance agency with an online process that allows you to shop for policies right alongside your home loan application.

LOAN-TO-VALUE (LTV):
A loan-to-value (LTV) ratio is an equation that lenders use to assess the amount of risk associated with a home loan. LTV is calculated by dividing the total home loan amount by the appraised market value of the home. Typically, if the LTV ratio is higher than 0.8, lenders require private mortgage insurance (PMI) to offset the higher risk of default.

MORTGAGE INSURANCE:
Mortgage insurance is required for most loans with less than a 20% down payment. This is most commonly paid as a monthly fee, but may be able to be paid up front at closing or wrapped into your mortgage rate.

PREAPPROVAL/ LENDER LETTER:
A pre-approval letter is a document from a lender that states the exact amount you're approved to borrow once your stated information is verified. A lender letter is submitted with an offer to show that you are a qualified and prepared buyer.

INTEREST RATE LOCK:
A rate lock is a guarantee from a lender that the offered interest rate with the associated points and credits for a mortgage is the rate that they will receive, so long as their financial information matches what was provided during the rate lock process. Rate locks are good for a pre-set length of time, such as 30, 45, or 60 days. Better offers a 24/7 online mortgage rate lock to protect you from rising interest rates.