KNOW YOUR
MORTGAGE TERMS

APR
The annual percentage rate (APR) reflects the cost of all credit and finances over a year term, including the interest rate, points, broker fees and other credit charges obligated to the buyer. The APR tends to be higher than a loan's interest rate.

CD
A Closing Disclosure (CD) is a document that the government requires your lender to provide to you at least three days before your scheduled closing. It's your opportunity to make sure the information matches what your lender has told you.

CLOSING COSTS
These consist of application fees, title examination, title insurance, recording fees and property fees, as well as settlement documents and attorney charges. Home buyers can negotiate with the seller over who pays these fees. Sometimes, the seller will agree to pay some or all of them.

CTC
When your loan officer calls to say your loan is clear to close (CTC), that means the underwriter has approved all documentation necessary for the title company to schedule the closing and start drafting the Closing Disclosure.

DOWN PAYMENT
The amount the homebuyer pays in order to make up the difference between the purchase price and the mortgage amount. The majority of down payments range from 3 to 20 percent.

DTI
The debt-to-income ratio is a personal finance measure that compares an individual's debt payments to his or her overall income. Debt-to-income ratios are calculated by dividing total recurring monthly debt by gross monthly income, and it is expressed as a percentage.

ESCROW (A.K.A. IMPOUND)
Your mortgage lender will set up your escrow account at the same time as your mortgage account and will pay your property taxes and insurance with the money that is automatically deposited. The benefit to you is that you don't have worry about paying that bill separate from your mortgage.

LE
A loan estimate (LE) details the terms of your loan along with estimated closing costs.

LTV
Loan-to-value ratio is a term used to describe the ratio of a mortgage loan to the value of the asset purchased.. It's calculated by dividing the loan amount by the appraised value of the property.

PMI
Private mortgage insurance (PMI) is usually required if a borrower puts down less than 20% of the home's value. Once you have 20% equity in your home, you no longer have to pay PMI.

RIGHT OF RESCISSION
This right is given to homeowners who are refinancing their mortgages. Basically, it gives them time to make sure they're happy with their new loan. If they change their mind for any reason within three business days of closing, they may cancel the transaction.

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