

# UNDERSTANDING THE { MORTGAGE PROCESS }

## Mortgage terms

The only thing that might be harder than finding the right home is de-coding all of the terminology that goes along with getting a mortgage.

No worries; your Allen Tate Realtor® and Mortgage Consultant are there to translate. Don't hesitate to ask for more information on any term that isn't clear.

Here are a few of the most common (and confusing) mortgage terms to get you started:

### ■ Amortization

The amount of principal paid as part of a scheduled mortgage payment. It equals the scheduled payment minus the interest.

### ■ Annual Percentage Rate (APR)

A measure of the cost of credit, expressed as a yearly rate. It includes interest as well as other charges. Because all lenders follow the same rules to ensure the accuracy of the APR, it provides consumers with a good basis for comparing the cost of loans.

### ■ Appraisal

A written estimate of a property's current market value prepared by a professional with knowledge of real estate markets. The appraiser is usually selected by the lender, but the appraisal fee is usually paid by the borrower outside of closing.

### ■ Closing

The final step in the loan process of where the seller transfers ownership to the buyer; funds are disbursed from the buyer and lender to the seller; and all documents associated with the sale and loan are executed. Closing costs, which include charges for originating and processing the loan, are paid by the borrower at closing.

### ■ Equity

The difference between the value of the home and the balance of outstanding mortgage loans on the home.

## ■ Escrow

An agreement that money (or other objects of value) be placed with a third party for safe keeping and future use, such as the payment of taxes. A mortgage may include an escrow account where the borrower deposits a specified amount for taxes and hazard insurance, in addition to the regular monthly mortgage payment.

## ■ Mortgage

A loan secured by real property (real estate) through a mortgage note, usually issued by a bank or other lender. Mortgage loans vary greatly by size, maturity, interest rate, method of payoff and other characteristics.

## ■ Mortgage banker

A mortgage banker offers the loan products of multiple lenders and also retains control of underwriting, ordering the appraisals, preparing the closing packages and funding the loans with their own money. Allen Tate Mortgage is a mortgage banker. (A **mortgage broker** offers the loan products of multiple lenders, but does not underwrite the loan, order appraisals, prepare the closing package or self-fund the loan.)

## ■ Pre-approval

A full loan application, where the buyer provides complete documentation and the application is reviewed by an underwriter. It scrutinizes every aspect of credit worthiness. Pre-approval results in a conditional commitment of a specific loan amount the borrower qualifies for and may take up to one week. **Pre-qualification** is a quick, automated review of a buyer's credit worthiness that provides a non-binding estimate of how much loan they may be able to afford.

## ■ Underwriting

The process of examining all the data about a borrower's property and transaction to determine whether the mortgage applied for by the borrower should be issued. The person who does this is called an underwriter.

**WANT TO KNOW MORE? GIVE US A CALL. WE'LL ANSWER YOUR QUESTIONS FROM A TO Z AND WE'LL DO IT ASAP!**