

Mortgage Loan Common Terms

Additional Principal Payment: Paying more than the scheduled amount due will reduce the remaining principal balance on your loan.

Adjustable-Rate Mortgage (ARM): A mortgage with an interest rate that changes during the life of your loan.

Annual Percentage Rate (APR): The annual percentage rate is the calculation of the interest rate you pay each year and includes other fees that you pay to get your loan.

Appraised Value: An appraiser's opinion of the home's fair market value, based on their knowledge, experience and analysis of the home.

Asset Review: A review of your checking, savings, retirement and investment statements to verify funds are available for the down payment and closing costs.

Closing: The title company and Kirkwood Bank & Trust will meet with you to sign the mortgage documents and finalize the purchase of your home.

Closing Costs: Expenses that are incurred when transferring ownership of the property. Closing costs may include origination fee, charges for title insurance and escrow costs, appraisal fees and property taxes.

Credit Report: A report detailing your credit history that is prepared by a credit bureau.

Down Payment: An initial payment made on the purchase price of your property that is not financed with your mortgage.

Earnest Money: A deposit made to a seller showing the intent to purchase a home.

Escrow Account: A special holding account for your hazard insurance premiums, private mortgage insurance and your property tax payments.

Escrow Payment: The part of a mortgage loan payment that is reserved to pay for property taxes, private mortgage insurance and hazard insurance as they come due.

Fixed Rate Mortgage (FRM): A fixed rate mortgage is a mortgage that has a fixed interest rate throughout the entire term of your loan.

Hazard Insurance: This insurance refers only to the coverage for the structure of your home.

Loan-to-Value (LTV) Percentage: The principal balance of your mortgage compared to the sales price or appraised value (whichever is lower) of your home.

Interest: The fee charged for borrowing money.

Maturity: The date on which the principal balance of your loan becomes due.

Monthly Mortgage Payment: The monthly mortgage payment includes the principal balance of the loan, interest charged for the loan, and also includes insurance and taxes on the home.

Mortgage: The mortgage document that provides collateral for your loan.

Origination Fee: A fee paid for processing your loan application.

Pre-Approval: A written statement which states how much money you are eligible to borrow.

Principal Balance: The outstanding balance of principal on a mortgage (not including interest or any other charges).

Private Mortgage Insurance (PMI): Insurance that protects the lender if payments are not made on your mortgage loan.

Property Taxes: The taxes paid on real estate or any property you own.

Purchase Agreement: A binding contract between a buyer and a seller that outlines the details of a home sale transaction.

Rate Lock: The guarantee of a specified interest rate for a specified period of time.

Title Insurance: This protects property buyers against problems or defects with the title when property ownership is transferred.

Underwriting: The bank's assessment of the home and your ability to repay the loan.



When it matters.