

TIPS

Mortgage Terms You Should Know

Mortgage definitions are helpful and handy to have. We've tried to include the terms you hear most often.

ADJUSTABLE RATE MORTGAGE (ARM) -

Is a loan with an interest rate that can go up or down. Most ARMs have their interest rates adjusted at specific intervals of time depending upon the mortgage terms.

ANNUAL CAP -

Is the limit on how high the interest rate of an ARM can rise during a single year. Annual caps are specified in all of the better ARM mortgage programs. Don't sign without one.

ANNUAL PERCENTAGE RATE (APR) -

Is the true cost of a loan, expressed as an interest rate including finance charges and fees. The APR is your best way to compare loan programs from various lenders.

*ARMs
LTVs
CAPs
What Do They
Mean?*

APPRAISED VALUE -

Is an estimate of a property's worth, usually based on recent sales of comparable properties nearby. Lenders use appraisals to verify a home's value and to justify a lender's commitment for that home.

BALLOON MORTGAGES -

Are fixed rate loans for a specified period of time (typically 5, 10, 15 years), with the balance due at the end of the time period. At the time, you must either refinance or repay the entire outstanding balance in one lump sum.

FIXED-RATE MORTGAGE -

Have a stable interest rate and monthly payment. The loan is completely paid off at the end of its term, typically 15 or 30 years.

LOAN-TO-VALUE (LTV) -

Is the relationship of the mortgage loan to the value of the home, expressed as a percentage. For example: a \$100,000 home with a \$75,000 mortgage would have an LTV of 75%. Many lenders limit the maximum LTV, which they are willing to lend on a home.