MORTGAGE DICTIONARY

Adjustable-Rate Mortgage – An adjustable-rate mortgage (ARM) is a product with a floating or variable rate that adjusts based on some index.

Amortization - Amortization is a decrease in the value of assets with time, which is normally the useful life of tangible assets.

Annual Percentage Rate – An annual percentage rate is the rate offered by banks and companies for one year and applies to products such as loans, credit cards, credit lines, and others.

Appraisal – An appraisal is an assessment of the value of an asset, made by an expert or authorized person to estimate its worth.

Appreciation - Appreciation is an increase in the value of an asset within a specified period which is linked to factors such as supply and demand.

Assumable Mortgage – An assumable mortgage is a product that can be transferred so that the buyer saves on closing costs and interest charges.

Balloon Mortgage – A balloon mortgage is an arrangement that involves real estate purchases, with the borrower paying the principal at maturity.

Bankruptcy – Bankruptcy is a formal proceeding that occurs when an individual borrower or a company cannot repay its outstanding obligations and is relieved of its debts.

Borrower – Borrower is a person who owes money to a financial institution and makes payments toward the principal balance and interest charges.

Bridge Loan – A bridge loan is a short-term financing that is used by borrowers between the purchase and sale of a real estate property.

Capital Gains – Capital gains are realized when the value of a property or investment instrument increases, as a result of which the company or individual realizes a profit.

Carrying Costs – Carrying costs are costs for the holding and storing of inventory, along with shipment expenses, salaries, and losses.

Cash-out Refinance – Cash-out refinance allows borrowers to take out a new mortgage that is larger than their existing loan and pay the settlement costs.

Certificate of Title – A certificate of title is a legal document that confirms the ownership of a real estate property or an asset.

Closing – Closing is a final step to complete a transaction during which details such as costs, legal fees, and taxes are specified.

Collateral – Collateral is a valuable asset such as jewellery, antique, vehicle, or real estate that guarantees timely loan repayment.

Condominium – A condominium is a part of an apartment complex and a unit that is owned by an individual, family, or company. It usually serves as a primary residence.

Conventional Mortgage – A conventional mortgage is a product that requires a down payment of 20 percent and meets the criteria developed by Fannie Mae and Freddie Mac.

Convertible Mortgage – A convertible mortgage is an arrangement that allows borrowers to convert from a floating to fixed rate.

Detached House – A detached house is a property that is free-standing rather than attached to another residential building.

Semi-Detached House – A semi-detached house is a dwelling that is attached to another property and shares common walls with it.

Credit Report – A credit report is a file that contains information about the borrower's payment history and is used to assess his creditworthiness.

Debt Consolidation – Debt consolidation allows borrowers to combine multiple debts and reduce their monthly payment amount.

Debt to Income Ratio – The debt to income ratio is a tool that shows what portion of the borrower's total income is used toward loan repayment.

Debtor – A debtor is a company or an individual borrower who is making monthly payments toward a loan or credit card balance.

Deed – A deed is a document that confirms legal ownership or the right to exploit an asset or real estate.

Default – Default occurs when a borrower is unable to pay down the outstanding balance or meet other obligations as part of a legal contract.

Delinquency - Delinquency is a failure to satisfy debt obligation such as an outstanding credit card balance, mortgage, or income tax.

Depreciation - Depreciation is a reduction of the value of an asset, made for accounting purposes, that is reflected on the income statement.

Discharge - Discharge refers to debt relief that is granted by a bankruptcy court to a company or individual borrower.

Down Payment – A down payment is an amount of money paid toward the purchase of a real estate property or vehicle, which is a percentage of the outstanding balance.

Duplex – A duplex is a residential building that has separate entrances for two units sharing common walls.

Equity – Equity refers to ownership interest that gives shareholders the right to vote and is in the form of preferred or common stock.

Fair Market Value – Fair market value is the price of an asset or real estate that a seller can ask for on an open market.

Fannie Mae – Fannie Mae is a government-backed entity that securitizes mortgage loans, sells them to third parties, and helps borrowers to avoid foreclosure.

Federal Tax Lien – Federal tax lien is assessed when taxpayers fail to pay estate, income, and other types of taxes.

FHA – FHA refers to federal tax lien or unpaid taxes that are owed to the Internal Revenue Service.

First Mortgage – A first mortgage is a priority debt that is repaid before other loans in the event of insolvency or default.

Fixed-Rate Mortgage – A fixed rate mortgage is a loan with fixed payments and interest rate that is not affected by rate fluctuations.

Foreclosure – Foreclosure occurs when a borrower defaults, and the financial institution seizes an asset to recover the outstanding balance.

Freddie Mac – Freddie Mac offers borrowers home financing and buys loans from mortgage bankers and other financial institutions.

Home Equity Line Of Credit – A home equity line of credit is a loan extended to homeowners whereby the house serves as a guarantee or collateral.

Home Insurance – Home insurance is offered to individuals to cover for damages under certain circumstances. Floods, hurricanes, tornadoes, and earthquakes are excluded from the policy.

Index – An index is an indicator that includes the values of stocks and shows how different investments perform, helping investors to make decisions.

Interest – Interest is a percentage or fee charged by financial institutions and other entities for the use of money or assets.

Interest Rate – Interest rate is a rate that is used to calculate finance charges paid by borrowers along with the principal balance.

Jumbo Mortgage – A jumbo mortgage is a financial product that allows people to borrow more and buy a higher-priced real estate property. The interest rate is higher than on other loans.

Land – Land is a resource that can be used for production or residential use, and ownership allows companies and individuals to exploit minerals, oil, soil, and other resources.

Leasehold – Leasehold refers to a real estate property that is held under the terms of a rental contract, allowing other parties to reside or use the property within a certain period.

Liabilities – Liabilities are outstanding obligations to suppliers and lenders that occur during the course of normal operations.

Lien – Lien defines the right of financial institutions to seize and sell assets used as collateral in case of default.

Line of Credit – A line of credit is a source of financing that allows borrowers to withdraw funds multiple times and within an extended period of time.

Loan – A loan is an asset or money borrowed by business and individual customers in exchange for future payment of interest charges and principal.

Loan to Value – Loan to value is a ratio that indicates how much of the value of a property or asset is financed through debt.

Market Value – Market Value is the price at which an asset, property, or securities are traded, and investors are willing and ready to buy.

Mortgage – A mortgage is a loan that is used to buy a house and is backed by the real estate itself. The interest rate is lower because it is a secured debt.

Mortgage Broker – A mortgage broker is a professional who acts as an intermediary between homebuyers and financial entities and helps clients to find a suitable mortgage product.

Mortgage Insurance – Mortgage insurance is a product that guarantees debt repayment in the event of permanent disability or death of the policyholder.

Mortgage Payment Options – Mortgage payment options allow borrowers to choose a preferred schedule of repayment, whether monthly, bi-weekly, or another arrangement.

Mortgage Types – Mortgage types differ in terms of interest rate and repayments and include first, pre-approved, 6-month convertible, multiple term, and other varieties.

Mortgagee – A mortgagee is a bank, credit union, caisses populaire, or another establishment that offers loans to homebuyers to help them to finance real estate purchases.

Mortgagor – A mortgagor is a business or individual customer who borrows money for a home purchase and offers the property as collateral.

Negative Amortization – Negative amortization occurs when the amount paid is not sufficient to cover the interest charges, and the outstanding balance increases.

Note – A note is a debt instrument with a maturity that varies from 2 to 10 years and is traded above, at, or below its redemption or principal value.

Origination Fee – An origination fee is a payment made by bank customers for processing their application and opening an account. Finance companies and brokers charge activation fees.

PITI – PITI is a payment toward the mortgage balance that covers the insurance premium, interest charges, taxes, and principal.

Prepayment Penalty – A prepayment penalty is a clause according to which financial institutions have the right to assess fees for paying the outstanding balance earlier than specified.

Prime Rate – Prime rate is the lowest interest rate that is offered to regular and creditworthy customers and which is used by lenders as a reference.

Principal – A principal is the outstanding balance or the original amount borrowed that is repaid within a specified period, plus interest.

Promissory Note – A promissory note is a legal agreement that specifies the terms of a financial transaction so that money is payable on a certain date or on demand.

Property Tax – Property tax is paid by owners and assessed by the local authorities. The amount due depends on the value of land and real estate.

Purchase Agreement – A purchase agreement is a legally binding contract that specifies the terms of the purchase of machinery and equipment, goods, services, or real estate.

Qualify – Qualify refers to meeting the eligibility criteria for some financial service or product or fulfilling certain conditions.

Real Property – Real property covers tangible assets such as infrastructure, plants, buildings, and residential units that are owned, managed, or exploited by a company or individual.

Refinancing - Refinancing occurs when a borrower chooses to replace an existing loan with a new one. It also occurs when the interest rate and schedule of repayment are modified to offer more attractive terms.

Reverse Mortgage – A reverse mortgage allows individuals to borrow against their home value. The property is sold when the homeowner passes away which serves to repay the principal balance.

Second Mortgage – A second mortgage is a debt instrument in the form of a home equity line of credit or home equity loan. It is subordinate to priority debts, and the interest rate is higher.

Seller Financing – Seller financing is money offered to companies and individuals for the purchase of some asset. The loan is extended by the seller to cover a percentage of the purchase price.

Simple Interest – Simple interest is calculated by multiplying the original loan amount or outstanding balance by the term (duration of the loan) and the rate of interest.

Sub-Prime Borrower – A sub-prime borrower is a company or individual who has a poor credit history and is considered a high risk. It is the opposite of a prime borrower with an impeccable payment history.

Subprime Lenders – Subprime lenders offer loans to borrowers with tarnished credit and a history of late payments and delinquencies. They charge high interest rates to offset the risk of default.

Survey – A survey is done for the purpose of creating a drawing of a real estate property or land. It shows encroachments, improvements made, and the boundaries of the property or lot.

Tax Lien – Tax lien represents a legal claim on a real estate which is imposed due to failure to pay taxes. They are either due or are not paid in full.

Term – A term is the duration or number of years during which a loan or mortgage is repaid.

Title – A title gives ownership rights to individuals and businesses and the right to possession of an intangible or tangible asset.

Townhouse – A townhouse is a residential property that comprises of several units which share common walls.

Trust Deed – A trust deed is an instrument that is used to outline the details of an estate purchase whereby a trustee holds the legal title.

Urban – Urban refers to characteristic of or related to a town or city. Urbanized areas include municipalities with a population of at least 5,000 residents.

Valuation - Valuation is an assessment of the value of an asset or outstanding obligation. It is done to estimate the amount of liabilities or the current market value.

Variable Rate Mortgage – A variable rate mortgage is a product that features a variable or adjusting interest rate that goes up and down.

Zoning - Zoning is done to cluster two or more neighbourhoods or areas together as to improve access and functionality.
