

Mortgage Cheat Sheet

Annual Percentage Rate (APR) Loan Estimate (LE)

The true cost of a mortgage. Annual percentage rate includes interest rate, points, and fees paid to the lender. That's why APR is higher than interest rate, which is only the percentage paid to borrow the money. Know what you're really paying.

Closing Costs

Your down payment gets you part of the way there. Closing costs do the rest. They include fees for things like loan origination and title services. You can estimate them to be around 3% –6% of your home price.

Debt-to-Income Ratio (DTI)

Can a borrower repay a loan? Lenders determine qualifications with debt-to-income ratio, dividing monthly debt payments by monthly gross income. A good DTI is lower than 36%.

Down Payment

Nice, your first bit of equity! Your down payment is a percentage of your home's selling price you pay up front. The average down payment is about 12%.

Earnest Money

Sellers want to know buyers are serious. Earnest money is that promise. It's kept in escrow until it becomes part of the down payment at closing.

Escrow

Let someone else manage infrequent expenses. That's what escrow does. It's an account where a mortgage servicer holds funds until they're ready to be distributed for charges like property taxes and insurance premiums. You pay a portion into escrow every month.

The first look at your future mortgage. A loan estimate shows the interest rate, term, monthly payment, and closing costs. You'll get it within three days of applying.

Loan-to-Value Ratio (LTV)

All lending has an associated risk. The loan-to-value ratio compares how much is owed on the loan with the home's appraised value. It's easy to figure out yours.

PITI

All the keys to your mortgage. PITI is an initialism for principal, interest, taxes, and insurance. Add them all up to get your monthly payment.

Points

You can lower your interest rate even more. Discount or mortgage points let you do it by paying more at closing. Buying points could help you, so talk to your loan advisor.

Pre-Approval

Don't tour a home without one! This process tells us how much house you can afford. We'll verify your assets, credit score, and income to see what loans makes sense and how low your interest rate can be.

Private Mortgage Insurance

It's totally normal to put less than 20% down. When borrowers with conventional loans do, they'll pay private mortgage insurance that protects the lender if the loan defaults. Get to 20% equity in your home and the PMI goes bye-bye.



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