Lifestyle DENVER

Mortgage Terms

Following are some common terms you may hear during the process of buying your home.

APPRAISER The person who decides the market value of a home based on its condition and the selling prices of comparable homes recently sold in the area. His or her job is to compute a fair estimate of market value to help the lender determine a reasonable loan amount.

ASSESSOR A public official who appraises property for tax purposes, determining the assessed value, not the tax rate.

CLOSING The conclusion of a real estate transaction, which includes delivery of a deed, financial adjustments, signing of notes and disbursement of funds necessary to the sale or loan.

CONVENTIONAL LOAN A loan made with real estate as security and not involving government participation in the form of insuring (FHA) or guaranteeing (VA) the loan.

FIXED-RATE LOAN A loan with the same rate of interest for the life of the loan.

HOMEOWNER'S POLICY A multiple-peril insurance policy commonly called a package policy. Available to owners of private homes, it covers the dwelling and contents in case of theft, fire, or wind damage, as well as liability for property damage and personal liability.

INTEREST The cost of borrowing money, which is usually expressed as the annual percentage of the loan amount. For example, 4% or 6%. Principal and interest are amortized over a period of years, typically 15 or 30 years.

INTEREST RATE CAP The maximum interest rate charge allowed on an adjustable-rate loan for any one adjustment period during the life of the loan.

POINT A point is a dollar amount paid to a lender for making a loan, each point being equal to one percent of the loan amount, also called a discount point.

PRINCIPAL The amount of money borrowed from a lending institution. Each month a portion of the principal is paid back. Over time, interest becomes a smaller portion of the monthly mortgage payment and more of the payment goes toward reducing the principal owned.

PRIVATE MORTGAGE INSURANCE An insurance policy for down payments of less than 20% of the home price, which helps mortgage lenders recover some losses if a borrower fails to fully repay. Mortgage insurance makes it possible to buy a home with a low down payment.

PROPERTY TAX Taxes paid to a local government, usually a percentage value based on the mill levy. A lender will generally collect the taxes through your monthly payments and pay them directly to the local government on your behalf. The amount of tax will vary depending upon where you live and the type of property you own.