

Mortgage Term Glossary

The Mortgage world is filled with jargon and terms that might not make sense to the outside world. Or maybe the vernacular isn't terribly difficult, but you need a refresher. Whatever the reasoning, this section will help you brush up on your mortgage-related terminology.

For more information on our loan programs, check out the pages to [find the right loan](#).

- **Adjustable-Rate Mortgage Loan (ARM):** Loan with an interest rate and monthly payment amounts that may change periodically during the loan term. Most have limits to how often and how much the rate can change.
- **Amortization:** The ongoing repayment of debt in regular installments over a period of time. An amortization schedule shows how much of each payment is going to principal and interest.
- **Appraisal:** A written estimate of a property's current market value prepared by an appraiser.
- **Closing:** Final process which includes the transfer of home ownership, payment from the buyer and lender to the seller, and settling of all final documents.
- **Down Payment:** The portion of a home's purchase price that is paid in cash and is not part of the mortgage loan.
- **Equity:** The difference between the value of the home and the balance of outstanding mortgage loans on the home.
- **Fees:** The upfront cash payments required by the lender as part of the charge for the mortgage loan. May include points and origination fees.
- **Fixed-Rate Mortgage Loan:** Loan with an interest rate and monthly payment amounts that don't change during the loan term.
- **Funding:** The process of disbursing (i.e., wiring) money from the mortgage lender to the title/escrow company prior to closing.
- **Housing Expense Ratio:** The ratio of housing expense to borrower's income. This is a factor used in qualifying a borrower for a mortgage.
- **Interest Rate:** Also called the mortgage rate or note rate, it is what the lender charges for the use of credit (borrowing money).
- **Loan Officer:** An employee of a mortgage lender who counsels borrowers and oversees the loan application. [Find the nearest Bank of Utah Loan Officer](#).
- **Mortgage Insurance:** Private mortgage insurance is required by the lender when a down payment of less than 20% of the home's value is made.
- **PITI:** Term that stands for principal, interest, taxes and insurance, and refers to the total monthly cost of the home.
- **Points:** An upfront fee charged by the lender that is expressed as a percent of the loan amount (for example, 2 points would be a charge equal to 2% of the loan amount).
- **Principal:** The outstanding balance of the loan, not including any interest owed.
- **Processing:** Assembling a file of information about a mortgage transaction to give to the underwriter for final decision. The file includes credit report, appraisal and verification of income.
- **Qualification:** Sometimes called prequalification, the process of determining whether the

prospective borrower has the ability to repay a loan. Qualified borrowers are then subject to approval based on credit history.

- **Qualification Rate:** In qualifying a borrower, the interest rate used to calculate the initial mortgage payment. It may or may not be the actual initial rate on the mortgage.
- **Sales Price:** The amount of money the homebuyer will pay for the home.
- **Settlement:** The process of completing a real estate transaction during which deeds, mortgages, leases and other required instruments are signed and/or delivered, an accounting between the parties is made, money is disbursed, papers are recorded and all other details such as payment of outstanding liens and transfer of title are completed.
- **Term:** The period of time the borrower has to repay the home loan - typically 15 to 30 years.
- **Underwriting:** The process of examining all the data about a borrower's property and transaction in order to make a decision about whether the mortgage loan applied for should be issued.

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