

Mortgage Glossary

Credit Union Team Members

Mortgage Loan Officer: A representative of the credit union acting as the point of contact for the borrower.

Processor: The person assisting the loan officer in preparing the file and loan documents for underwriting.

Underwriter: The person evaluating the loan for credit risk and adherence to loan guidelines for approval.

Third Party Services

Appraiser: A qualified, licensed individual who determines property value and creates the appraisal report.

Real Estate Agent: A licensed individual who assists the buyer and/or seller in the purchase of a home drawing up offers and contracts.

Title Company: The agency researching the property title for discrepancies and liens to be able to issue title insurance.

Home Loan Types

Adjustable Rate Mortgage (ARM): Home loan where the interest rate and monthly payment may change periodically.

Cash-Out Refinance: Refinance transaction where the new loan amount is greater than the total balance of existing home loans on a property.

Conventional Loan: A home loan not insured/guaranteed by the federal government.



Construction Loan: A loan for financing the cost of home construction.

FHA Loan: A home loan insured by the Federal Housing Administration (FHA).

Fixed Rate Mortgage: Home loan with a pre-determined set interest rate for the entire term of the loan.

Home Equity Loan: A home loan used to utilize the equity in a borrower's home. Often used for home improvements, debt consolidation, or other major expenses. This loan can either issue the funds in a lump sum or can be set up as a line of credit, also known as a HELOC.

Refinance: A home loan paying off an existing loan, generally using the same property as collateral to lower monthly payments or interest rates.

Rate & Term Refinance: Refinance of an existing loan only for the amount remaining on the current home loan.

VA Loan: A home loan guaranteed by the Department of Veteran Affairs for veterans.

USDA Loan: A home insured by the Rural Housing Service to provide financing options to borrowers in rural areas.

Home Loan Documents

Application: The form used to collect all required information about borrowers.

Appraisal: An informed estimate of value for a property.

Closing Disclosure (CD): Document outlining the interest rate, monthly payments, and closing costs on the loan, sent to the borrower at least 3 business days prior to closing.

Credit Report: A report of the borrower's debts and payment history.

Deed: Legal document transferring ownership of real estate from the seller to the buyer and delivered at closing. This document is recorded with the county.



Loan Estimate: Initial disclosure outlining key loan terms and estimated costs of a mortgage.

Mortgage: Legal document recorded with the county giving a lender a lien on the real estate to secure repayment of a home loan.

Promissory Note: The written agreement outlining the repayment terms of the home loan, including interest rate, loan amount, and payment date.

Title Insurance: Insurance that protects either the owner or the lender against issues that would affect legal ownership of the property.

General Terms

Cash-to-Close: The amount a borrower needs in cash at the closing of the loan, which includes the down payment and closing costs.

Closing: The time and place at which all documents for the home loan are signed, dated, and notarized.

Closing Costs: Costs experienced when obtaining a home loan: appraisal fee, title work, origination fees, and recording fees.

Credit Union: A non-profit financial institution owned by the members and regulated by the NCUA.

Discount Points: An optional fee on a loan paid to reduce the interest rate.

Down Payment: Amount paid towards the purchase of a home to make up the difference between the purchase price and the home loan amount.

Earnest Money: A deposit made toward the down payment as a sign of good faith included in the purchase agreement.

Escrow Account: Account created as part of the home loan to hold money to pay homeowner's insurance, property taxes, flood insurance, and mortgage insurance. A set portion of the monthly payment funds this account.



Homeowner's Insurance: Insurance to protect a home from hazards such as fire, theft and vandalism , and personal liability.

Homeowner Education Courses: Classes that inform a borrower on the mortgage process, financing a home, and determining affordability.

Interest Rate: The annual cost of a loan to a borrower, shown as a percentage.

Interest Rate Lock: Confirmation from a lender the interest rate quoted will not increase prior to closing if closed within a set time frame; typically 45-60 days.

Loan Term: The number of years to pay off a loan. This is one of the factors used to determine the payment amount.

Mortgage Insurance: Insurance on conventional loans with a down payment less than 20%. This protects the lender from default on a home loan.

Prequalification: The process of a borrower providing information to a loan officer to estimate how much the borrower may borrow to purchase a home. This is not a guarantee you will receive a loan.

Principal & Interest (P&I): The principal is the amount of money borrowed on a loan; interest is the charge paid for borrowing money. This combination accounts for the majority of a mortgage payment, which may include escrow.

