

# Terms You Should Know

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**First-Time Homebuyers**

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## Amortization

Repayment of loan principal over time with scheduled payments that consist of both principal and interest. The loan balance declines by the amount of the principal in the scheduled payment.

## Annual Percentage Rate (APR)

The APR shows the costs of your mortgage loan as a yearly rate. The APR includes up-front fees (such as points) as well as interest and is intended to show you the true cost of your loan. When comparing one loan to another, be sure to compare APR's to get a true picture of what each one will cost you.

## Closing Costs

The cost of getting a mortgage, such as title fees and HOA dues, in addition to the down payment. Usually 3-6% of the total loan amount.

## Credit Bureau

An agency that collects data on individual payment records on loans, credit cards and other debts, and compiles a credit history based on this information. They also provide credit reports to lenders, creditors, and consumers.

## Debt-to-income (DTI) Ratio

The DTI ratio compares how much a borrower owes with how much they earn in a given month.

## Equity

Equity is the portion of the property that you actually own through your payments, versus the portions that you still owe the mortgage lender. The longer you stay in your house and make the required payments, the more equity you will have.

## Escrow

An account set up on your behalf in which a portion of your monthly payment is held to pay property taxes and insurance.

## Gross Income

Amount earned before taxes or types of payroll deductions. Gross income may include overtime commissions and dividends and come from any other sources for which steady history can be shown.

## Loan-to-value (LTV) Ratio

A mortgage's LTV ratio describes the ratio of the value of the property to the amount of outstanding mortgage balance.

## Points

Points, also known as discount points, lower your interest rate in exchange for paying an upfront fee.

## Pre-qualification

While not an approval, this gives borrowers an estimate of how much money they could borrow to purchase a home.

## Pre-approval

A commitment from the Lender to make a loan to a specified borrower prior to identification of the specific property.

**Homeownership doesn't have to be a dream. Private mortgage insurance can get you into a house faster with less than a 20% down payment. Talk to your loan officer to learn more about the value of mortgage insurance from Enact.**



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