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Housing Terms You Should Know



Annual Percentage Rate (APR)

- Indicates how much your loan will cost each year, including interest, fees or other costs
- Comparing APRs gives you a more accurate indicator of the true cost of a loan than comparing interest rates only
- This number is usually higher than the quoted interest rate



Closing Costs/Settlement Fees

- Fees and expenses paid by buyers and sellers to complete a real estate transaction
- Commonly includes appraisal or loan origination fees, title searches, title insurance, deed-recording fees, credit report charges and more



Escrow

- Account that covers property tax and mortgage insurance
- Borrowers pay into this account monthly as part of the mortgage payment
- Often, but not always required by lenders



Loan Estimate

- Accurate estimate of fees associated with a loan
- Must be provided by the lender within 3 business days of loan application
- Required by law



Mortgage Broker

- Connects borrowers and lenders to facilitate a mortgage loan
- Brokers do not provide or service loans



Points

- May be paid to a lender to reduce a loan's interest rate
- Results in lower monthly payment
- The cost of one point is equal to 1 percent of the loan amount

