

Portland Home Buyer Guidebook

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A GUIDE TO HOMEBUYING IN PORTLAND, OREGON

This guidebook is curated by
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EVAN KARR

Licensing: Evan Karr NMLS 1086744 | Branch Manager & Licensed Loan Officer | Edge Home Finance Corporation | Company NMLS #891464, OR #891464, WA #MB-891464, AZ #1007405, CA #60DBO-51506 | Corporate Address 5868 Baker Road Minnetonka, MN 55345 | www.nmlsconsumeraccess.org | Equal housing opportunity. | Not a commitment to lend. Borrower must meet qualification criteria. | This information is meant to be a basic guide showing the home buying and financing process. Not all transactions may follow the illustrations, steps or requirements listed. Additional requirements, restrictions, and underwriting conditions may apply. Lending and real estate processes and guidelines are subject to change without notice. www.evankarr.com | 503-451-1443 | @evankarr

Note

Dear readers,

I am thrilled to present our guide to home buying, filled with insights and tips to help you navigate the process of purchasing your dream home. I want to take a moment to remind you that the information presented in this guide is accurate as of the time of writing but is subject to change.

One crucial aspect of home buying that is constantly changing is mortgages. Loan guidelines update rapidly, and interest rates fluctuate even on a daily basis. Additionally, mortgage processes and guidelines can be lender-specific. Therefore, while we have done our best to provide accurate information at the time of writing, please keep in mind that mortgages are ever-changing. We hope that this guide will serve as a valuable resource to you throughout your home-buying journey.

Cheering for you,
Evan

evankarr



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A photograph of a bed with a white sheet, a brown and white striped blanket, and a green fuzzy blanket. The text is overlaid on the white sheet in the upper left corner.

"The ache for home lives in
all of us, the safe place
where we can go as we are
and not be questioned."

Maya Angelou

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Part One: A comprehensive guide to the home-buying process, from figuring out how to finance your home to actually shopping for the perfect place.

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Part One

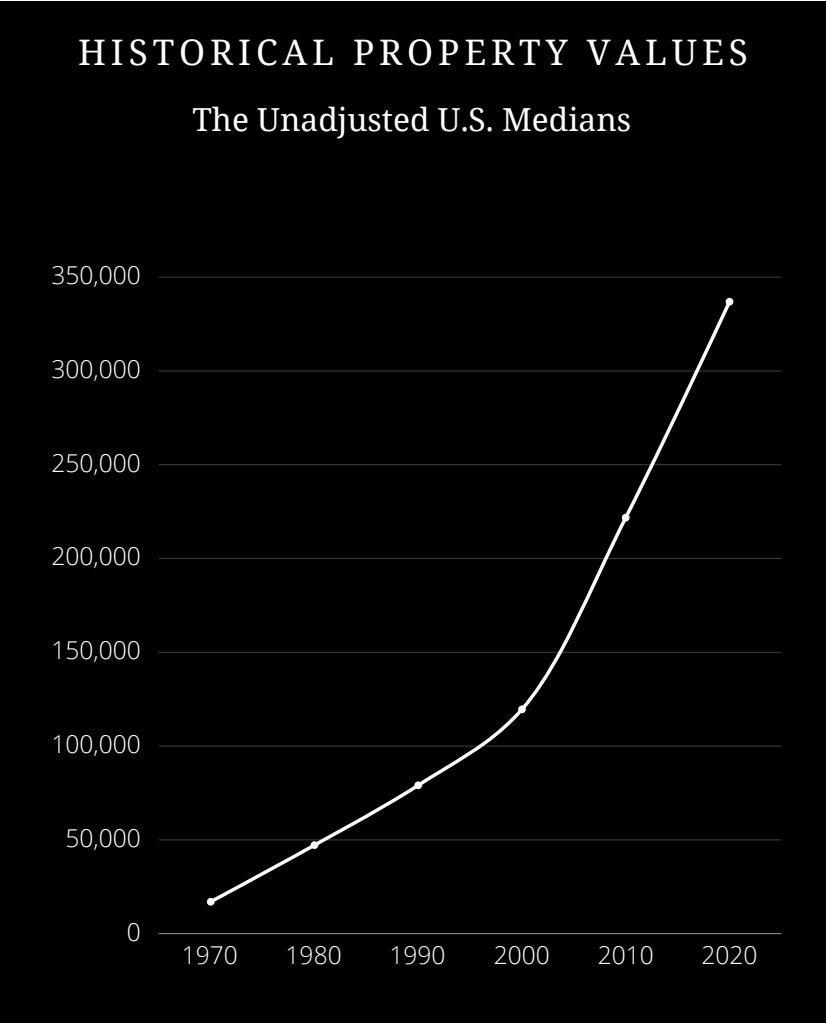




To know if you're ready to buy a home, start by asking if you are financially prepared. Then, consider if you need more space or if homeownership aligns with your goals.

Here are four signs you're ready to buy:

1. *You have financial stability.* You can afford a home's ongoing costs, like mortgage payments, property taxes, homeowners insurance, and any maintenance fees.
2. *You have savings.* You can cover a home's upfront costs, like the down payment, closing costs, and moving, as well as any unexpected expenses like repairs, maintenance, or emergencies.
3. *You are emotionally ready* for the autonomy and responsibility that comes with owning your own home.
4. *You plan on owning the home for 2-5 years,* which is long enough for it to potentially appreciate in value and recoup the expenses associated with its purchase and sale.

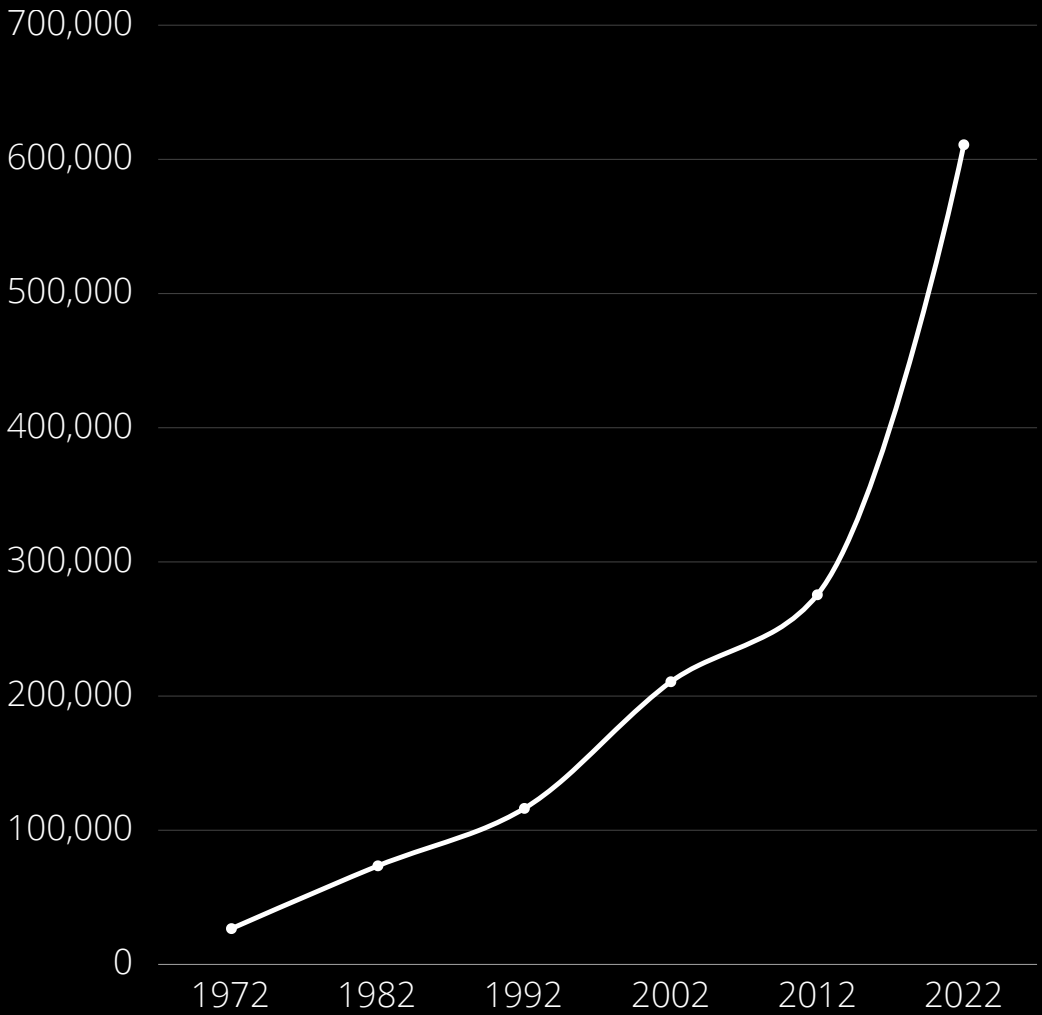


Source: U.S. Census Bureau

Insight
into the
market

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PORTLAND PROPERTY VALUES
The Unadjusted Portland Metro Area Averages*



*Source: RMLS *SFH; Excludes Clark County*

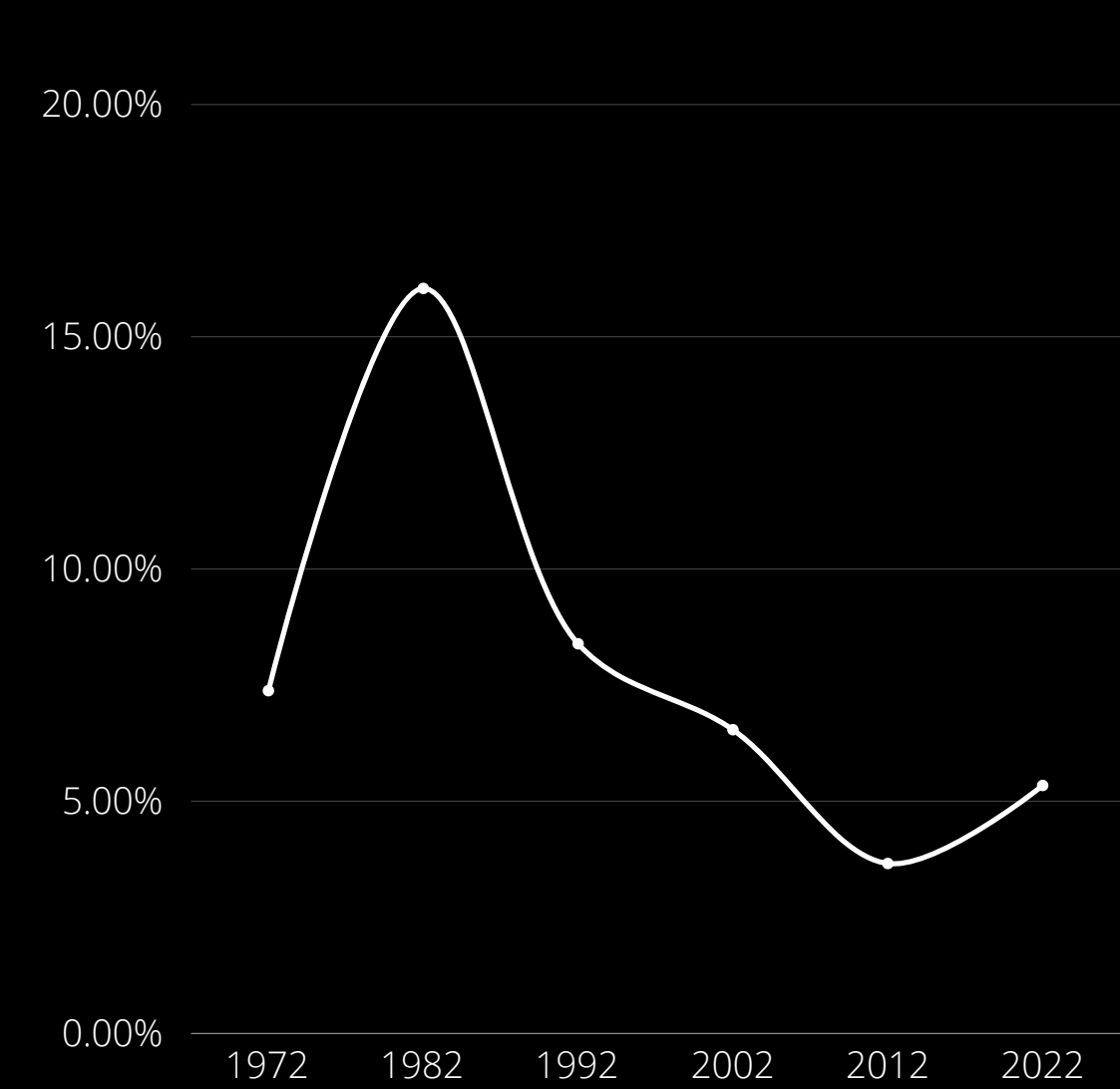
HOME PRICE VS INCOME

The Unadjusted U.S. Medians



HISTORICAL MORTGAGE RATES

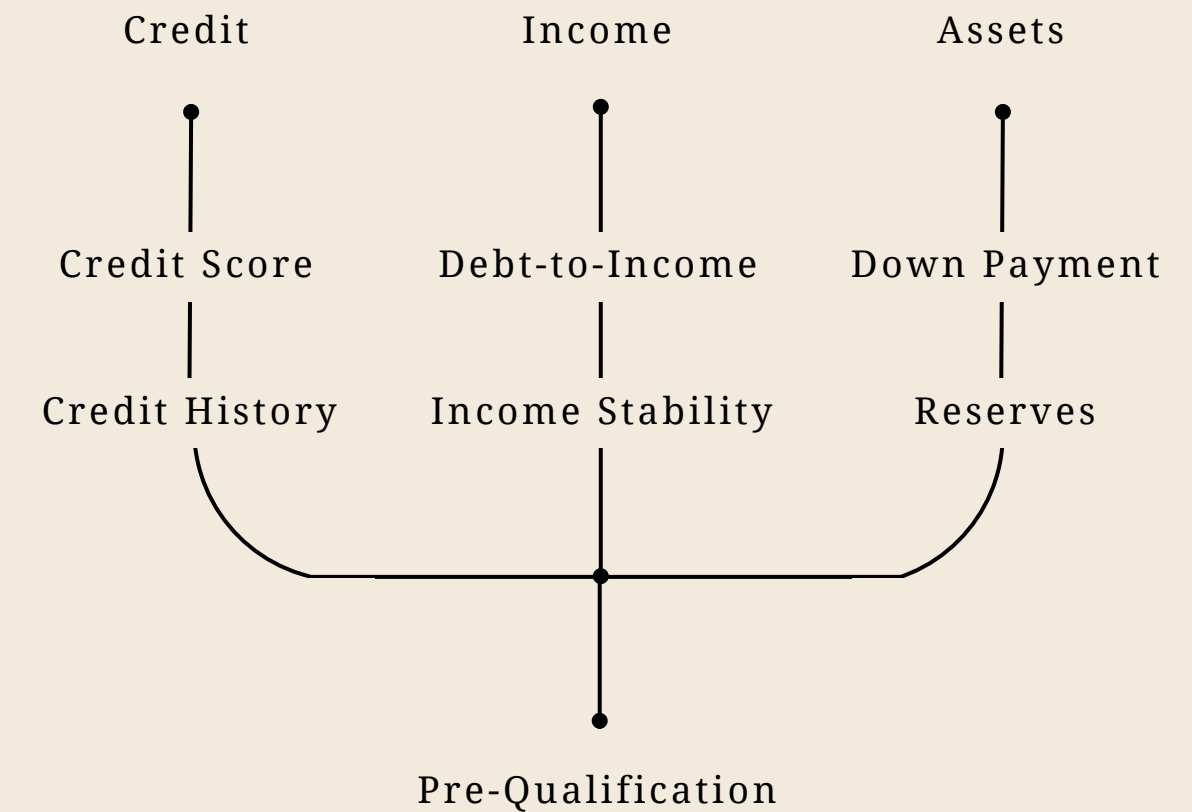
The US Average 30 Year Rate



THE PROCESS



PREQUALIFY



The home-buying process starts with a pre-qualification from a mortgage lender, which will help set budgets (purchase price and monthly payment) and provide negotiating power. *Your pre-qualification is an estimation of how much house you can afford.* It entails a conversation and an online application. We'll talk about your credit, income, and assets. Together, we'll determine your goals and home-buying budget, then set you on the right track for house hunting. Once you are pre-qualified, a realtor can show you homes and submit offers on your behalf.



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Credit

Your credit history and score determine loan approval or denial, the type of loan program, the terms of the loan, and the interest rate.

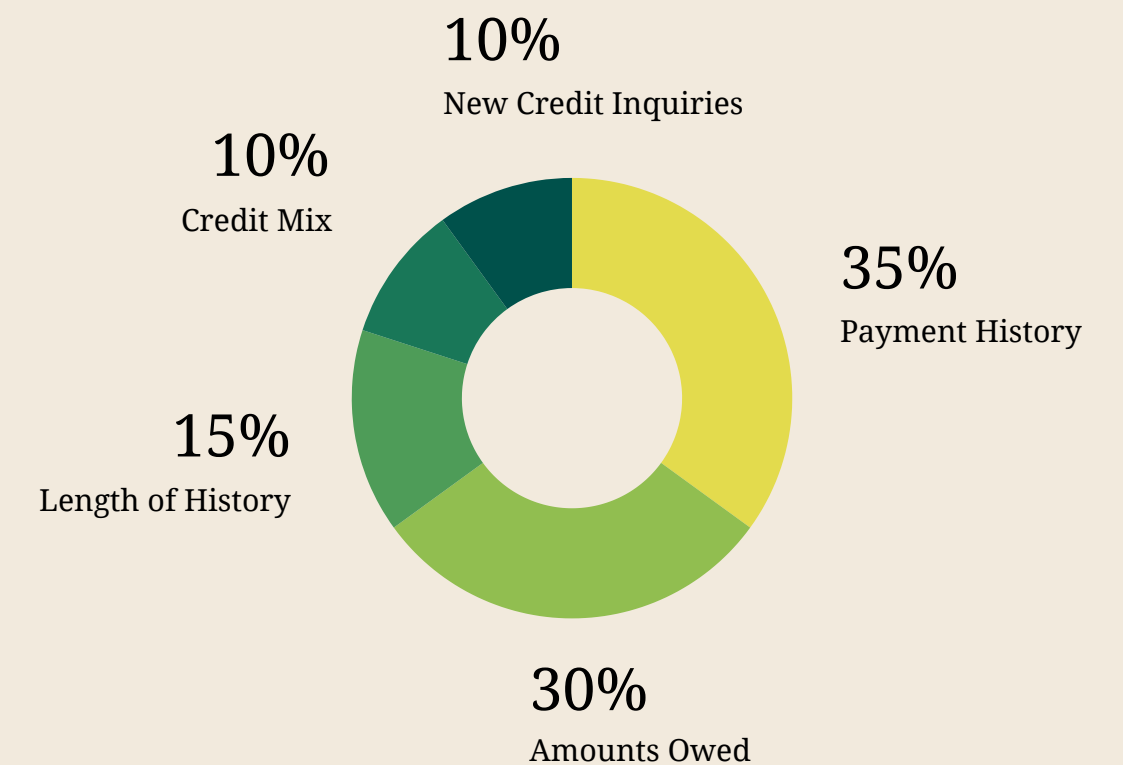
Eligibility

You don't need perfect credit to buy a home. Typically, a score of 620+ is eligible, with some programs available in the 500s.

Credit Goals

If your score is too low to qualify for a mortgage, focus on these credit goals:

1. Pay credit accounts on time.
2. Pay off collections.
3. Do not close old revolving accounts.
4. Keep credit inquiries to a minimum.
5. Remove any discrepancies, e.g., late payments.
6. Owe less than available on credit limit (30%) either by paying the balance down or by increasing your limit.



Credit Score Makeup

Source: myFICO.com

MY CREDIT
SCORE

IS NOT
A

REFLECTION
OF ME.



My debt does not control me.

Income

The potential ability for loan repayment.

Your income stability and debt-to-income ratio (DTI) are used as indicators of risk for your mortgage pre-qualification.

Income stability involves the type and history of your income, as well as the likelihood of continuation.

Your debt-to-income ratio is a comparison of monthly debt to income. It is the sum of all monthly debts, including the new mortgage payment with taxes and insurance (PITI), divided by the gross monthly income. The answer is then multiplied by 100.

You can have debt and qualify for a mortgage; the question is, “how much monthly debt do you have in comparison to stable income?”



Debts include vehicles, properties, credit cards, loans, liens, collections, charge-offs, IRS payment plans, judgments, spousal support, child support, and the new mortgage payment (PITI).

Debts do **not** include utility bills, health insurance, car insurance, or subscriptions.

Eligible income includes salary, full-time hourly, rent, alimony, child support, social security, disability, pension, annuity, and distributions.

As well as a 2-year history of commission, seasonal, bonus, part/over-time, tips, contract, dividends, pay per mile/load, and self-employment.



MY INCOME DOES NOT DEFINE ME.

Financial abundance is coming my way. My hard work pays off. My skills are valuable. My income is stable. I am grateful for my financial success. I deserve the money I earn.

I spend money wisely. Money has a positive impact on my life. My income potential has no limits. I am in control of my finances. I am worthy of financial security.



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Assets

Verification of funds for down payment, closing costs, and reserves.

Down Payment

The down payment is a sum of money that you, the home buyer, pay upfront towards the total cost of the home. This payment is a percentage, usually ranging from 0 to 25% of the total cost.

Typically, the minimum down payment is 0% for USDA and VA, 3.5% for FHA, 3 to 5% for Conforming, 10% for Jumbo, and possibly 0% for home buyer programs with down payment assistance.

100% of your down payment can be in the form of gift funds from a family member for the purchase of a primary or second home.

Closing Costs

Closing costs are the costs associated with securing a new home. These range from fees charged by appraisers, real estate agents, and title companies, to lender and home warranty fees. Closing costs are traditionally divided between the buyer and seller and range from 2 to 5% of the home's purchase price. *You may be able to avoid out-of-pocket costs by using seller credits.*

Reserves

Reserves refer to the amount of money that you have set aside in a bank account or other financial instrument, e.g., a 401k, to cover your mortgage payments and related expenses in case of financial hardship. Your loan may or may not require reserves.

I
APPRECIATE
THE MONEY
I HAVE

RIGHT
NOW.



I release fears about money.



Mortgage Loan Types

Conventional

Conventional conforming loans meet guidelines set by the government-sponsored entities Fannie Mae and Freddie Mac. Compared to other types of mortgages, they usually have *lower interest rates and fewer fees*.

- 3 or 5% minimum down payment
- 50% maximum debt-to-income ratio
- 620 minimum credit score
- PMI typically required with less than 20% down payment

Jumbo

Jumbo non-conforming loans exceed the maximum loan limit set by Fannie and Freddie. Used to purchase high-value homes in expensive real estate markets, they typically have *higher interest rates and stricter eligibility requirements*.

- % minimum down payment varies
- Loan amounts above conforming limits
- Typically 660+ credit score
- Reserves required

FHA

FHA loans are insured by the Federal Housing Administration (FHA). They are designed to make home ownership more accessible. They typically have *more flexible eligibility requirements and a low down payment*.

- 3.5% minimum down payment
- Flexible debt ratio
- No or low credit scores with AUS approval
- Requires upfront and monthly mortgage insurance premium (MIP)

VA

VA loans are guaranteed by the U.S. Department of Veterans Affairs. They are designed to help military veterans, active-duty personnel, and their spouses. They typically have *lower interest rates, plus no down payment or mortgage insurance*.

- Up to 100% financing (no down payment required with full VA entitlement)
- Funding fee of 0% to 3.3% of loan amount

USDA

USDA loans are backed by the USDA Rural Development program. They are designed to help low-to-moderate-income borrowers in rural areas. They usually have *flexible credit requirements, lower interest rates, and require no down payment or monthly mortgage insurance*.

- Property determines eligibility
- Up to 100% financing, no down payment required
- Guarantee fee of 1% of loan amount
- 600 minimum credit score with GUS approval



Specialty Loans

Some programs are lender-specific like First Time Home Buyer, Bridge, Renovation, New Construction, Land, Manufactured, Floating, ARM, HELOC, Quick Close, etc.

Monthly Payment

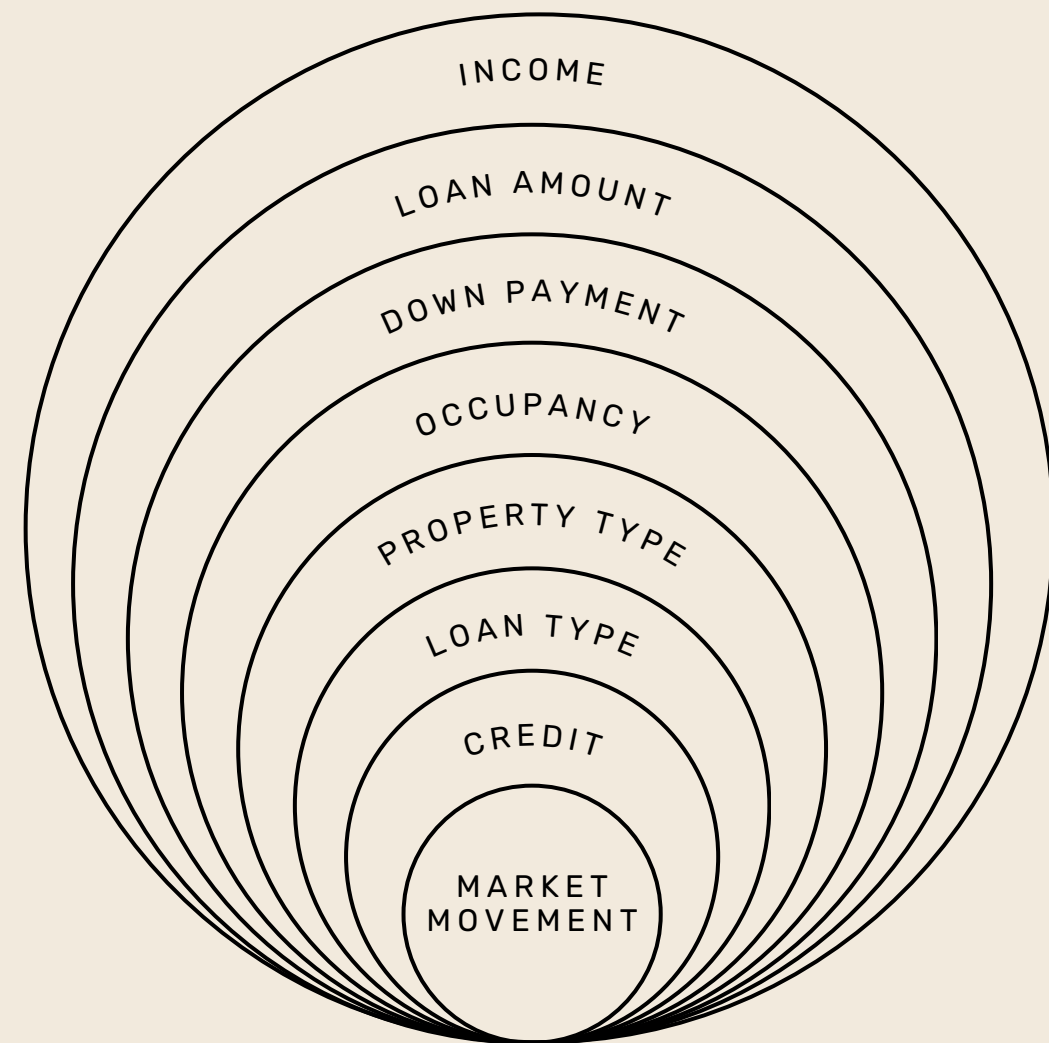
Your mortgage loan payment is the monthly amount of money required to repay your mortgage loan.

COMPONENTS:

- **Principal:** This is the portion of the payment that goes towards paying off the original amount of the loan, also known as the principal balance.
- **Interest:** This is the cost of borrowing money, calculated as a percentage of the outstanding balance of the loan.
- **Taxes:** These are the property taxes assessed by the local government on the value of the property, typically held in an escrow account set up by your lender. Property taxes can increase or decrease over time.
- **Insurance:** There are two types of insurance; homeowners insurance and mortgage insurance. Homeowners insurance protects the property from damage or loss due to various risks such as fire, theft, or natural disasters. Mortgage insurance protects the lender. Typically, if less than a 20% down payment, both insurances will be required.



$$P + I + T + I = \text{Payment}$$



Factors That Affect Your Mortgage Interest Rate

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Interest Rates

Your mortgage interest rate is the cost of borrowing money to buy your home. It's expressed as a percentage and is fixed or variable, meaning it can stay the same or change over time.

Your interest rate is determined by a variety of factors which may include market movement, credit, loan type, property type, occupancy, down payment, loan amount, and income. Due to market movement, interest rates fluctuate, even on a daily basis.

In some cases, you may choose to pay discount points upfront to lower your interest rate and reduce your monthly payment. This is known as "buying down" your interest rate.

If interest rates reduce after you purchase your home, you may consider refinancing. A refinance is a process of replacing your current mortgage with a new one that has different terms and/or interest rates.

Find a buyer's agent to represent your interests. They will help you find the right home & negotiate the best deal.

PROCESS

Find your realtor

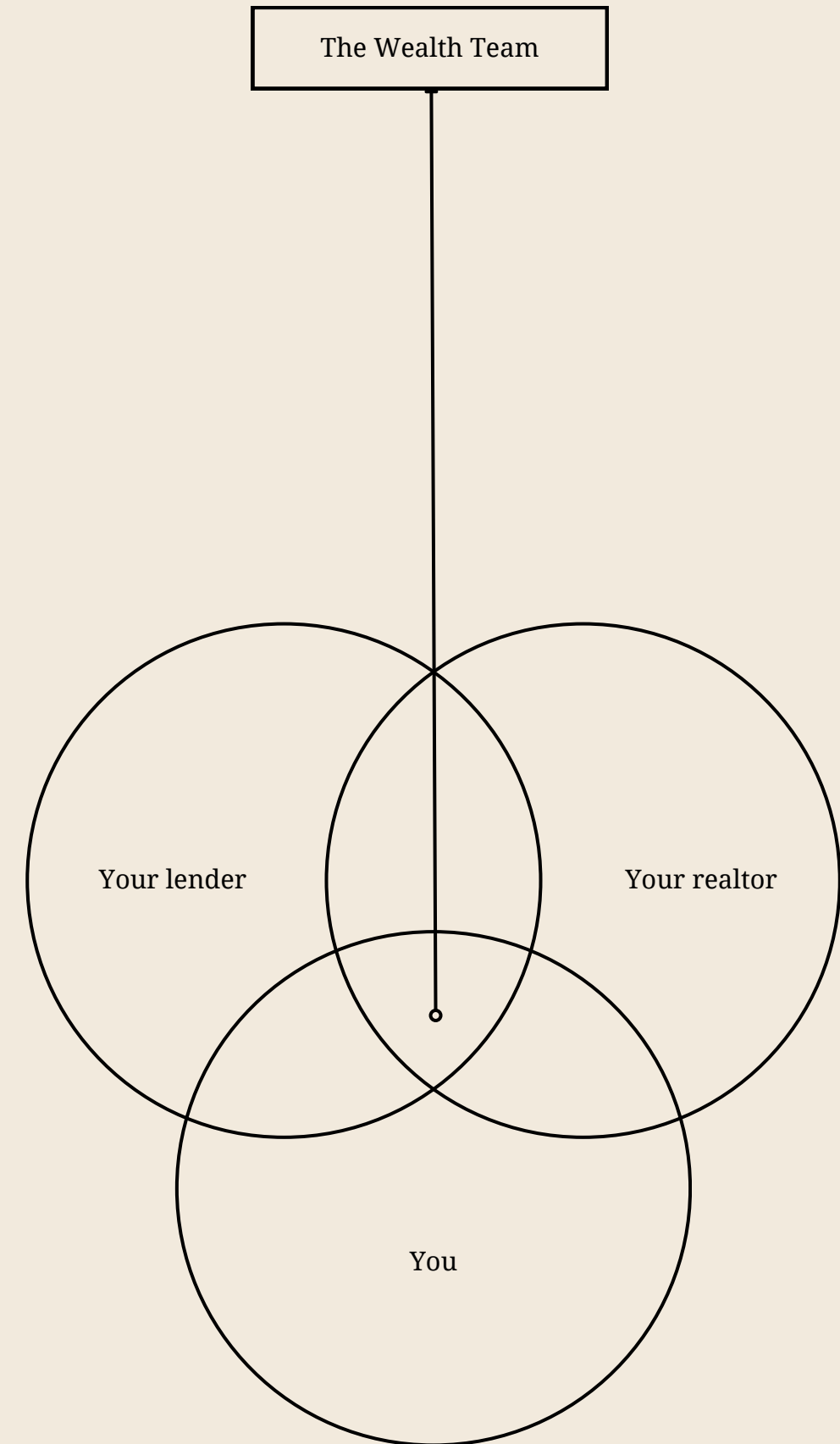
What to look for:

- Experience
- Knowledge
- Personal fit
- Communication skills
- Availability
- Professionalism



The wealth team

When buying a home, your realtor and lender need to work together as a team to ensure a smooth and successful transaction. Your realtor helps you find your dream home, negotiates the price, and handles the contract, while your lender assists with securing financing and managing the mortgage process. Availability and responsiveness via phone and email is a must for all. By working closely together, we can ensure that you find a home within your budget and that the financing is in place in a timely manner. We will also collaborate to troubleshoot any issues that may arise during the home buying process, such as appraisal or inspection issues. With a strong realtor and lender team on your side, you can have confidence in making informed decisions and achieving your home buying goals.





Shop for your dream home

Narrow in your desired price range, home style, location, and neighborhood.



Things to Consider:

Setting

Do you prefer the countryside or city? Close-knit community or solitude? A suburban atmosphere or trendy neighborhood? Think about the proximity to amenities such as cafes, shops, grocery stores, and restaurants.

School District

Take into account the quality of the local school district, even if you don't have children. The school district can significantly impact the resale value of a home.

Community Features

Are you for or against homeowner associations (HOA) which may have strict guidelines but streamlined neighborhood and landscaping? Think about parks, pools, and other amenities that enhance your quality of life.

Specific Needs

Consider accessibility for mobility, an office for remote work, outdoor space for enjoyment or pets, and storage for hobbies.

Interior Systems & Perks

Evaluate heating and cooling systems, appliances, outdoor space, parking, and other features that affect comfort and convenience.

Home Size

Think about the square footage that makes you feel comfortable and not cramped. Consider the home's size in terms of bedrooms, bathrooms, and living space. The bigger the house, the more there is to maintain, furnish, and clean.

New vs. Older Home

An older home may have character and charm, while a newer home may offer sleek, modern amenities. An older home might be in a coveted historic neighborhood and cost more than a newer suburban house. How much work are you willing to put into a property?

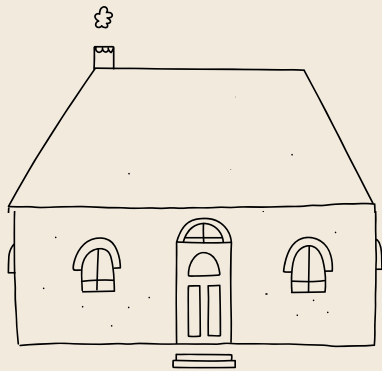
Home Style

Single-family home, townhouse, or condo? Single-story or split-level? Think about architectural styles like Colonial, Modern, Cape Cod, etc.

Portland Architecture

The most common house styles in Portland:

.



Ranch



Victorian



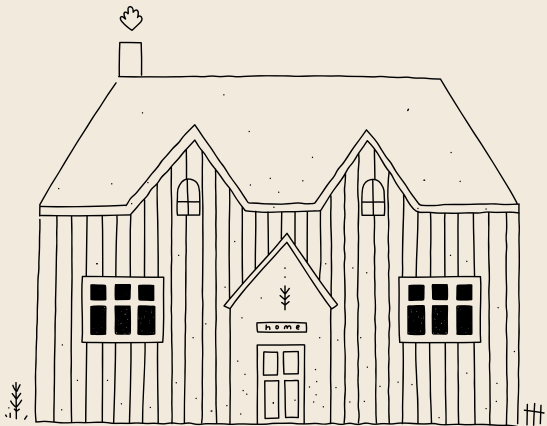
Craftsman



Bungalow



English Tudor



Cape Cod



Colonial



Mid-Century Modern

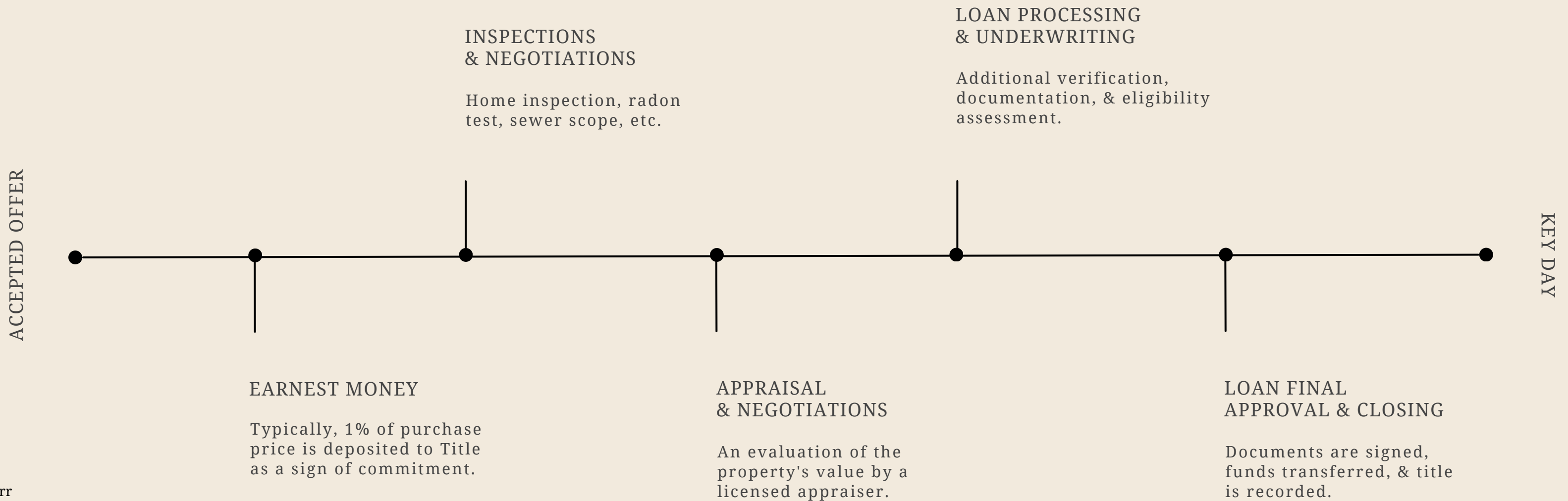


Foursquare



New Construction Infill

Whats next and when



Accepted Offer

Congrats on having your offer accepted! There are a few important tasks to complete before you can officially close on your new home. Your realtor and lender team will guide you through the process of completing your earnest money deposit, inspections, appraisal, and final negotiations.

Earnest Money

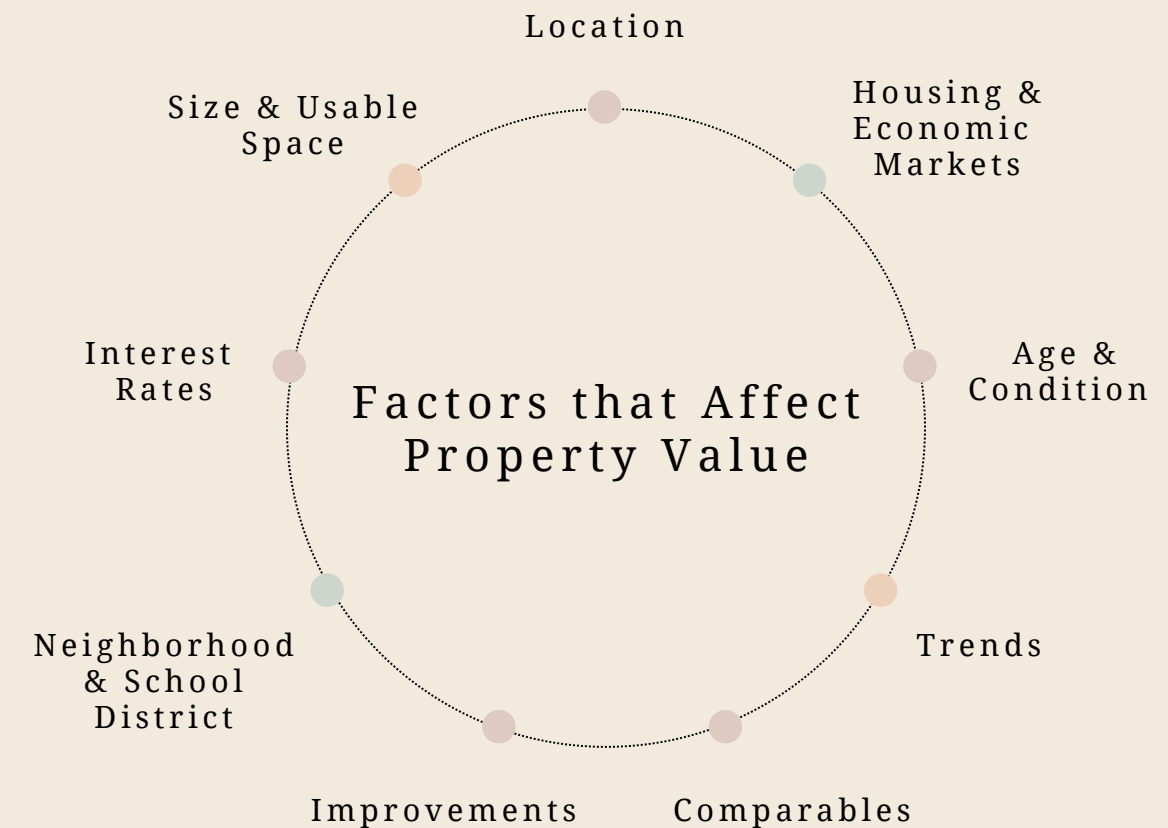
Deposit: Typically, 1% of the purchase price is deposited to Title as a sign of commitment. It is held in an escrow account until closing and usually applied to your down payment. If you back out of the purchase, your deposit may or may not be refundable according to the terms of your purchase agreement.

Inspections:

Inspections assess the condition of the property and identify any potential issues that may affect your decision to proceed with the purchase or negotiate repairs with the seller. In Portland, it's typical to have a home inspection, radon test, and sewer scope. Your realtor will coordinate this.

Appraisal:

An evaluation of the property's value by a licensed appraiser, ordered by your lender. If the appraisal comes in below the agreed-upon purchase price, it could impact your financing. You may need to renegotiate the price or come up with additional funds to cover the shortfall.





Home Buying Red Flags

- Cracks in walls
- Sagging roof/ceiling
- Sloping floors
- Foundation issues
- Weird smells
- Water stains
- Wet basement
- Peeling paint
- Insects/pests/droppings
- Strong air fresheners
- Rugs in odd spots
- Rooms that are "off limits"
- Lots of homes for sale on the same street



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Navigating the Emotional Journey of Home Buying

Buying a home is not just a financial transaction; it's an emotional journey. Throughout the process, you may experience a range of emotions, from excitement and anticipation to stress and uncertainty. Acknowledging these emotions can help make the journey smoother and more rewarding. Here are a few key emotional aspects to consider:

Excitement and Anticipation: Buying your first home is a significant milestone, and it's natural to feel a sense of excitement and anticipation. Dreaming about the possibilities, envisioning your future in the new space, and planning how to make it your own can be an exhilarating experience.

Nervousness and Anxiety: It's common to experience nervousness and anxiety during the process. Questions like "Can I afford it?" or "Am I making the right decision?" may arise. Remember that these feelings are normal, and it's important to address them by seeking guidance from your loan officer and real estate agent, who can provide advice and support.

Frustration and Impatience: Home buying can sometimes be a lengthy process, involving multiple steps and paperwork. It's not uncommon to feel frustrated or impatient along the way. Stay focused on your end goal and maintain open communication with your loan officer and agent. Patience and understanding are key during this stage. You may prefer a quick close to finish the process sooner. As a lender, I offer quick 10 business day closings for those who don't want the typical 30-45 day process.

Uncertainty and Doubt: Doubts may creep in during the decision-making process. Is this the right time to buy? Can I handle the responsibilities of homeownership? Remember that everyone faces uncertainties, but research, talking to experts, and trusting your instincts can help alleviate doubts and build confidence in your choices.

Relief and Joy: Finally, when you find the perfect home and complete the buying process, a sense of relief and joy will likely wash over you. Celebrate your achievement and embrace the feeling of owning that special place you can call your own.

TL;DR

Start your home buying adventure by getting pre-qualified for a mortgage loan. Leave all the nitty-gritty details to your dedicated team. As your lender, I'll guide you every step of the way. Together, we'll make your dream of owning a home a reality.

evan






Downtown Portland

A brief guide to Portland, OR.



Part Two



"Our homes should inspire
us to go out into the world
to do great things and then
welcome us back for
refreshment."

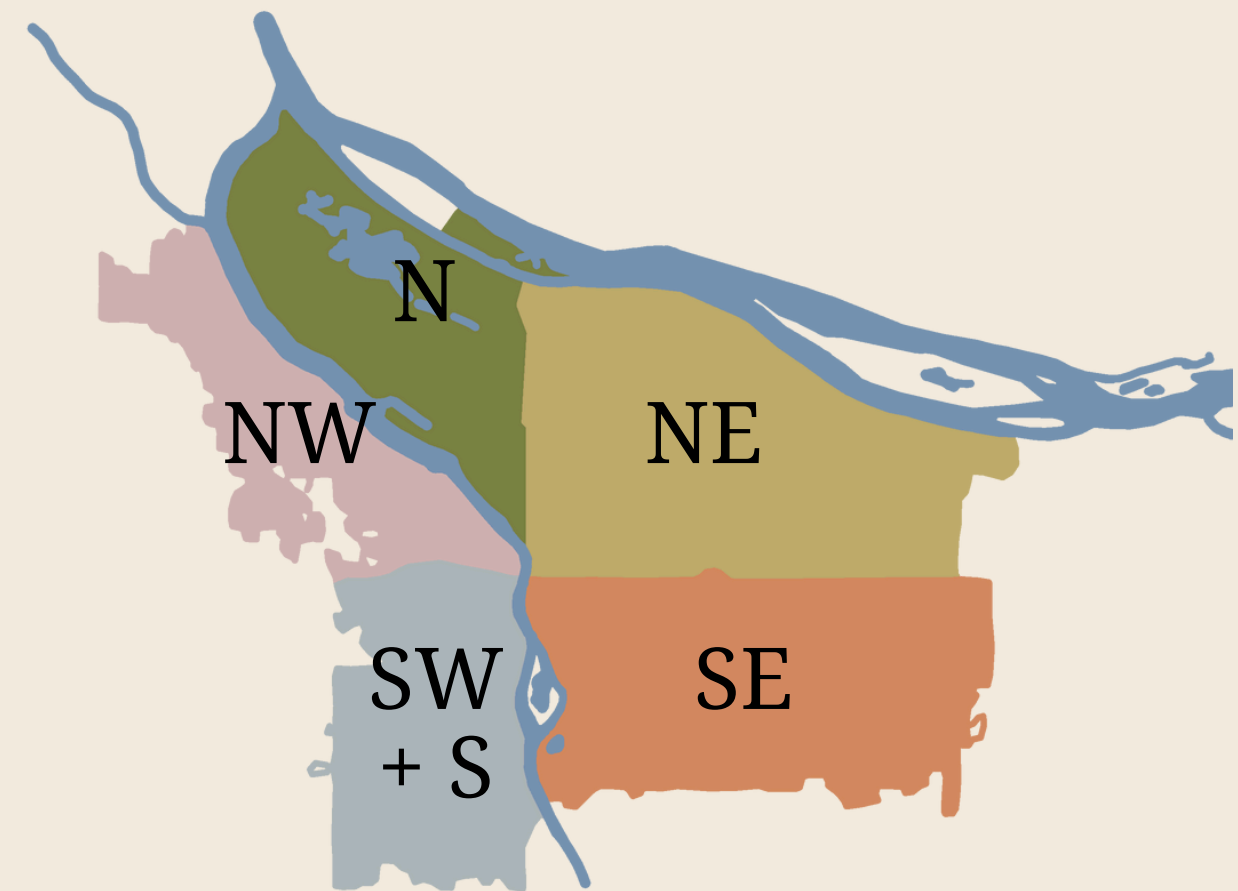
Melissa Michaels

@evankarr

Portland, OR

A city of vibrant neighborhoods.

Portland is known for its unique neighborhoods. Locals refer to the city's six main geographical sections as "quadrants". Divided north and south by Burnside Street and east and west by the Willamette River, our charming city boasts over 90 neighborhoods, each with its own distinct character and attractions.



NORTHWEST PORTLAND

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NW



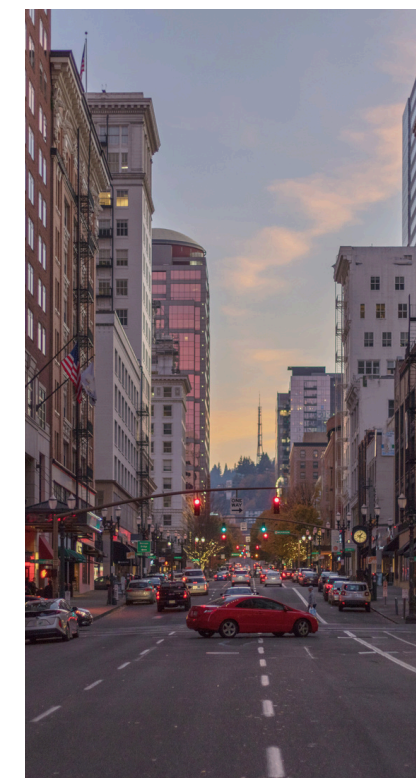
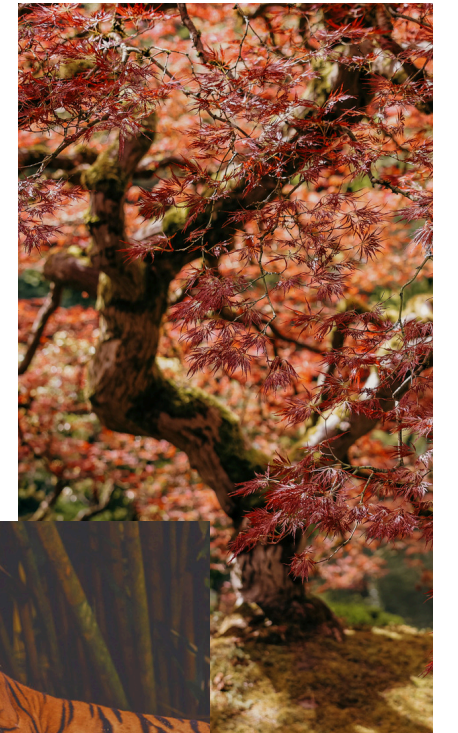
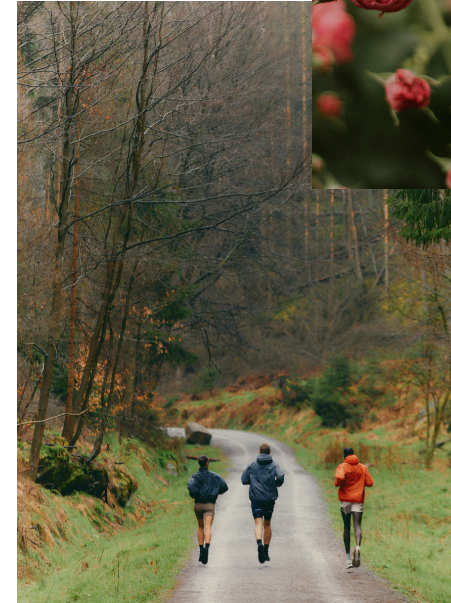
Nestled between sprawling forest and the west side of the Willamette River, Northwest Portland features a mix of historic charm, urban amenities, and natural beauty. The quadrant includes gardens with sweeping city views and Forest Park, one of the largest urban forests in the US. Other notable attractions include Pittock Mansion, the Witch's Castle, and the Lan Su Chinese Garden.

SOUTHWEST



PORTLAND

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Southwest Portland sits between stunning hills and the tranquil Willamette River. Notable attractions include Downtown Portland, the Portland Art Museum, and Washington Park, which features the International Rose Test Garden, Oregon Zoo, and Portland Japanese Garden. From its scenic parks and gardens to the heart of downtown, this quadrant invites exploration and relaxation in equal measure.

SW





SOUTH PORTLAND

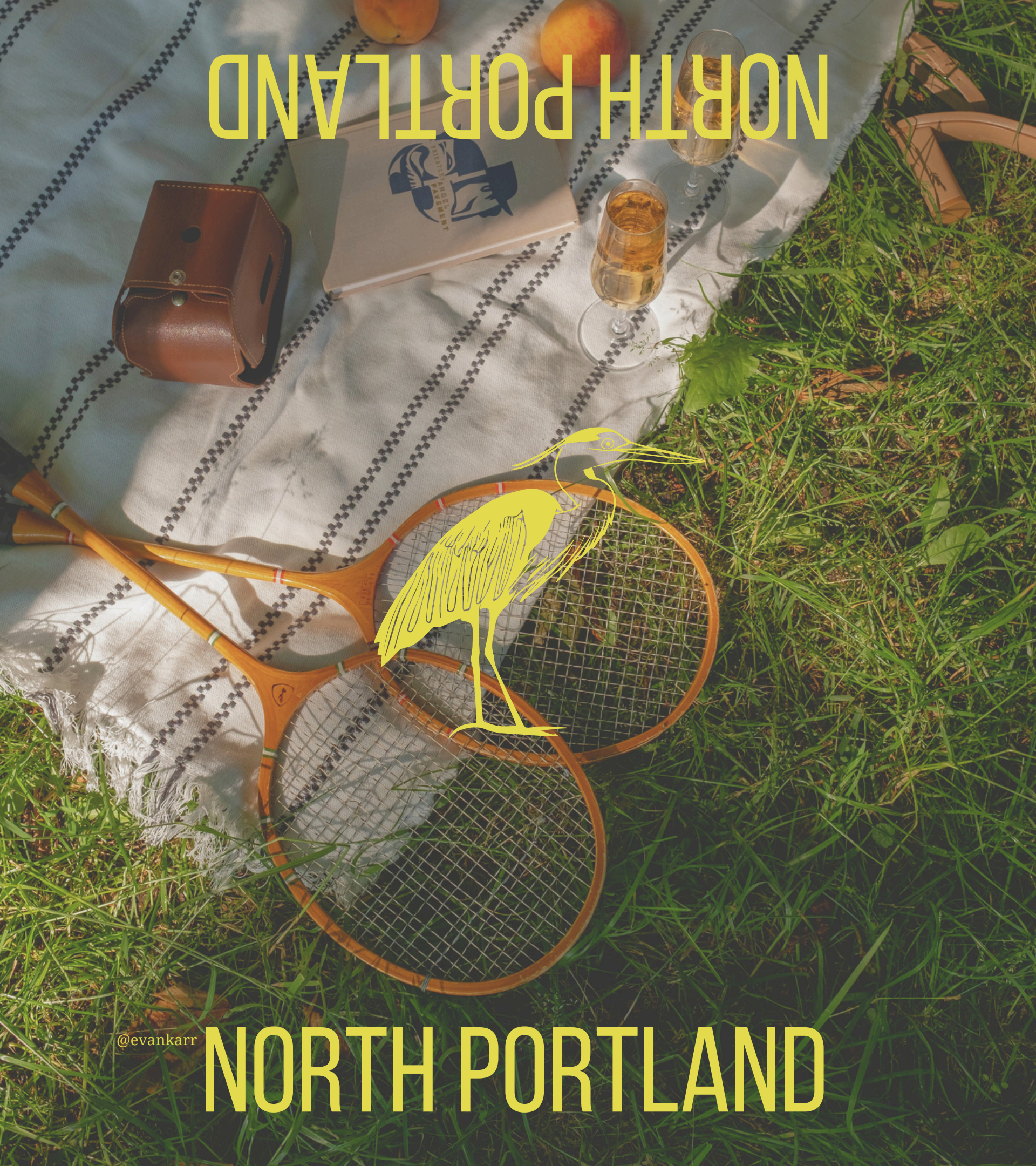
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Located along the west side of the Willamette River just south of downtown, South Portland boasts scenic waterfront views, towering high-rise buildings, and expansive Willamette Park. Other notable attractions include the car-free Tilikum Crossing Bridge and Portland Aerial Tram.



S.



NORTH PORTLAND

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NORTH PORTLAND

N.



Between the Willamette River and the Columbia River, water is a defining feature of North Portland's identity and charm. Notable attractions include the Smith and Bybee Wetlands Natural Area, St. Johns Bridge, Cathedral Park, and the PDX International Raceway.





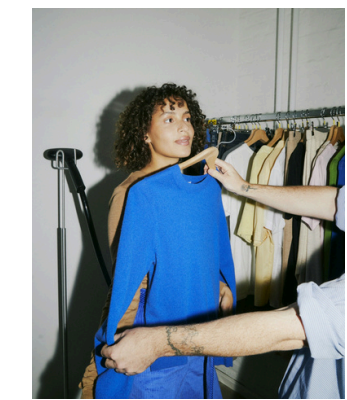
NORTHEAST PORTLAND

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NE



East of the Willamette River, between the Columbia River and Burnside Street, Northeast Portland is known for its local eateries and art scene. Notable attractions include the Alberta Arts District, the Grotto, Rocky Butte Natural Area, and Portland International Airport (PDX).





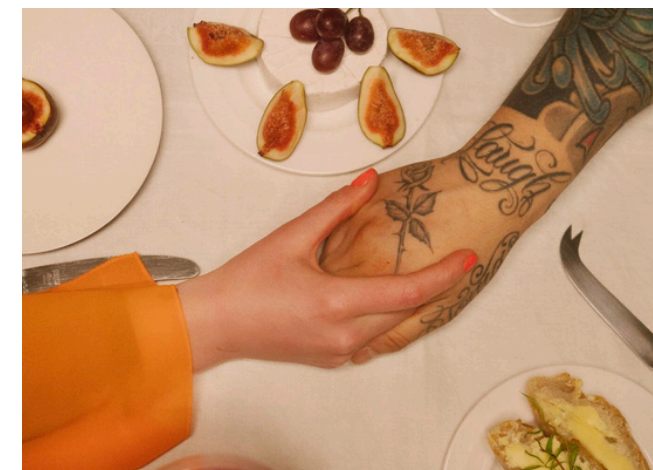
Southeast Portland

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Southeast Portland is east of the Willamette River and south of Burnside Street. Southeast is known for its bike-friendly streets, walkability, and forested parks, which include Laurelhurst Park and the extinct volcano Mount Tabor. There's an array of boutiques, coffee shops, and a lively arts and music scene.

SE





Mt. Hood



Sisters

Cannon Beach



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From
mountain
to coast

Region

The Columbia River Gorge: carved by floods, marked by hemlocks.

Located only 30 miles to the east of Portland, the Columbia River Gorge presents incredible vistas, opportunities for hiking and mountain biking, and boasts an excess of 90 waterfalls.



Crown Point

The Gorge is a natural wonder that boasts a breathtaking landscape of mountains, forests, and waterfalls. It's the perfect destination for adventure-seekers and nature lovers alike. With over 90 waterfalls, hiking and mountain bike trails, and opportunities for windsurfing and kayaking, there is something for everyone.

In addition to its natural beauty, the Gorge is also home to several charming towns that offer a unique blend of culture, history, and art. Visit Hood River, a picturesque town known for its craft beer, windsurfing, and kitesurfing, or explore The Dalles, an old trading post and a gateway to Oregon's high desert.

Rowena Crest Viewpoint

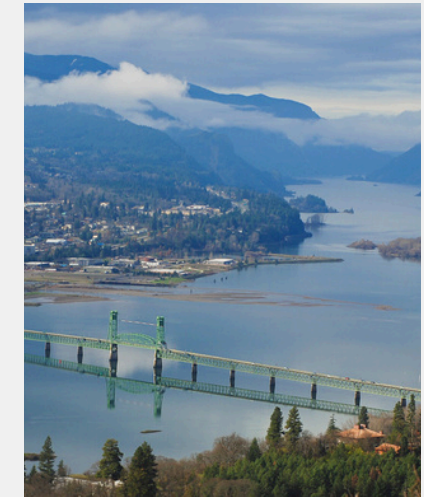


Multnomah Falls

Hood River: leisurely surf-town cool meets picturesque orchards and vineyards.

Nestled in the heart of the Columbia River Gorge, Hood River offers visitors a unique blend of breathtaking natural beauty, exhilarating outdoor activities, and a laid-back, charming town vibe. Known for its world-class windsurfing, kiteboarding, and hiking trails, Hood River is a playground for outdoor enthusiasts. But the town's small-town charm, award-winning breweries and wineries, and thriving arts and culture scene make it a must-visit destination for anyone seeking a true Pacific Northwest experience.

Hood River



Don't miss the Hood River Waterfront Park with its sandy beach, breweries, trails, scenic views, play area, kiteboarding, and waterboarding!

Fruit Loop: 35-mile scenic drive of vineyards with a view of Mount Hood.



Mt. Hood

In the heart of Oregon, Mount Hood looms majestically above the surrounding landscape, its snow-capped peak reaching towards the sky. As the tallest mountain in the state, Mount Hood is a mecca for outdoor enthusiasts, offering year-round recreational opportunities from skiing and snowboarding in the winter to hiking, mountain biking, and fishing in the summer. But Mount Hood's allure isn't just about adventure. It's also an icon of the Pacific Northwest, inspiring artists, writers, and photographers with its beauty and mystique.

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The Willamette Valley: rolling hills, winding rivers, and verdant forests.

The Willamette Valley in Oregon is a lush land of rolling hills, winding rivers, and verdant forests. This region is home to some of the country's most fertile soils, making it a prime location for agriculture and wine-making. Its sprawling vineyards and farm-to-table restaurants have gained national recognition, offering visitors a chance to taste the valley's bountiful harvests.

Beyond its culinary delights, the Willamette Valley is a haven for outdoor enthusiasts. Its winding rivers and tranquil lakes are perfect for kayaking, fishing, and swimming, while its picturesque hiking trails provide breathtaking views of the valley's diverse flora and fauna.

The valley's vibrant cities, such as Eugene and Salem, offer a perfect blend of small-town charm and big-city sophistication, with art galleries, museums, and music festivals. The Willamette Valley is a hidden gem, a destination that rewards those who seek a slower pace of life, a taste of nature's bounty, and a glimpse into the heart of Oregon.



Airplane Home, Hillsboro



Vineyards, Salem



The Oregon Coast: time and tide create untamed beauty.

The Oregon Coast stretches 363 miles along Highway 101, captivating visitors with its rocky vistas, public beaches, charming artistic enclaves, and fishing towns.

Visitors are immersed in an enchanting world of tidepools, sprawling sand dunes, dense forests, and towering monoliths. Indulgences include local microbrews, fresh seafood, and the thrill of surfing. Nature lovers delight in witnessing the migration of 18,000 whales.

The coast is dotted with numerous state parks, offering excellent hiking and camping opportunities. Neahkahnie Mountain, Cape Lookout, and Cape Perpetua boast scenic trails that provide breathtaking views of ancient trees and the vast Pacific Ocean.

Further south, the Oregon Dune Recreation Area is home to the magnificent Umpqua Dunes. Seaside, a vibrant coastal town, awaits just 15 miles away, inviting visitors to enjoy surf, saltwater taffy, and ice cream. A leisurely stroll or bike ride along Seaside's two-mile oceanfront promenade evokes the charm of places like Coney Island.

A short drive further leads to Cannon Beach, a tranquil oasis with an artsy and laid-back atmosphere. Marvel at the iconic Haystack Rock and allow time to slow down as the sun sets, painting a picturesque scene.

Heceta Head Lighthouse



Natural Bridges at Samuel H. Boardman State Scenic Corridor



Heceta Head



Cape Perpetua



Oregon Brewers Festival



Annual Attractions

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Portland Saturday Market

Swift Watch



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Whale Watching





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Wooden Shoe Tulip Festival

Cherry Blossoms



Lavender Valley



Portland Rose Festival

The International Rose Test Garden

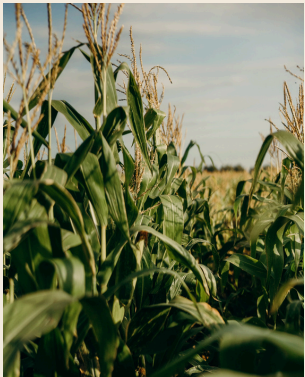




Waterfront Blues Festival



The Big Float



Sauvie Island Corn Maze
+ Sunflower Maze



World Naked Bike Ride

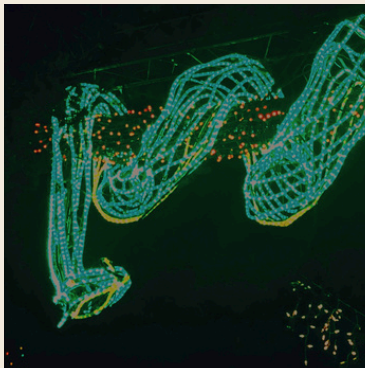


UFO Festival

Pumpkin Regatta



Film Festivals



Zoo Lights +
Peacock Lane



The Language of Loans

Terms

Adjustable-Rate Mortgage (ARM)

A mortgage with an interest rate that can adjust.

Amortization

The process of paying off a loan over a period of time with regular payments. The payments typically include both principal and interest.

Annual Percentage Rate (APR)

The total cost of a loan over one year, including interest and any fees or charges.

Appraisal

An assessment of a property's value by a licensed appraiser.

Appraisal Gap

The difference between the appraised value of a home and the agreed-upon purchase price.

Buydown

The borrower pays an additional upfront fee to lower their interest rate for a specific period of time.

Closing

The final stage of the home-buying process when the buyer and seller sign the necessary paperwork to transfer ownership of the property.

Closing Costs

Fees associated with closing a mortgage, such as appraisal fees, title search fees, and attorney fees.

Closing Disclosure (CD)

A required document that provides a detailed breakdown of the final costs associated with the mortgage loan.

Debt-to-Income Ratio (DTI)

A calculation of a borrower's monthly debt payments divided by their gross monthly income. Lenders use this ratio to evaluate a borrower's ability to manage debt.

Discount Point

A fee paid upfront to the lender at closing in exchange for a lower interest rate on the mortgage loan.

Down Payment

The initial payment made by the buyer towards the purchase price of the property.

Earnest Money

Deposit made by the buyer as a show of good faith that they intend to complete the purchase. It is applied towards the down payment and closing costs.

Equity

The difference between the value of a property and the amount of the mortgage owed on it.

Escalation Clause

Contract provision that allows a buyer to increase their offer on a property if competing offers are received.

Escrow

An account that a lender sets up to hold funds for property taxes and homeowners insurance.

Fixed-Rate Mortgage

A mortgage with an interest rate that remains the same throughout the life of the loan.

Home Equity Line of Credit (HELOC)

A revolving line of credit that is secured by the borrower's home equity, typically with a variable interest rate.

Interest

The cost of borrowing money, typically expressed as a percentage of the amount borrowed.

Interest-Only Mortgage

A mortgage in which the borrower pays only the interest on the loan for a set period of time, typically the first few years of the loan term.

Jumbo Loan

A mortgage that exceeds the maximum amount that Fannie Mae or Freddie Mac will purchase or guarantee.

Loan Estimate (LE)

A required document outlining the estimated costs associated with the loan, including the interest rate, fees, and closing costs, as well as the estimated monthly payment.

Loan-to-Value Ratio (LTV)

The ratio of the amount of the loan to the appraised value of the property. This ratio is used to help determine the risk of the loan.

Mortgage Insurance Premium (MIP)

Insurance required for certain mortgages, including FHA loans, to protect lenders against losses if the borrower defaults on the loan.

Mortgage

A loan used to purchase a property, with the property serving as collateral.

Origination Fee

A fee charged by lenders to cover the costs of processing a mortgage application.

PITI Payment

Mortgage payment that includes principal, interest, taxes, and insurance.

Pre-Qualification

The process of evaluating a borrower's creditworthiness and determining the maximum amount of a loan they are eligible to receive, based on their financial situation.

Private Mortgage Insurance (PMI)

Insurance that protects lenders against losses if a borrower defaults on a mortgage with a low down payment.

Principal

The amount of money borrowed in a loan, not including interest.

Processing

The process of gathering and verifying information about a borrower.

Seller Credits

Seller agrees to contribute a certain amount of money towards the buyer's closing costs, escrows or prepaids.

Rate Lock

An agreement between the borrower and lender to fix the interest rate for a set period of time, typically 30-60 days.

Refinance

The process of replacing an existing mortgage with a new one, often to take advantage of lower interest rates or to change the terms of the loan.

Servicer

The company responsible for managing the day-to-day operations of a mortgage loan, such as collecting payments and managing escrow accounts.

Title

The legal document that establishes ownership of a property.

Title Insurance

Insurance that protects against any losses related to the title of a property, such as claims by previous owners or liens on the property.

Title Search

A review of public records to confirm that the seller has the legal right to sell the property and that there are no outstanding liens or issues that would affect the title.

Underwriting

The process of evaluating a borrower's creditworthiness and ability to repay a loan.

Variable-Rate Mortgage

A mortgage with an interest rate that can fluctuate over time, based on changes in the market or other factors.

