Mortgage Glossary

Adjustable Rate Mortgage (ARM)
A mortgage in which the loan rate changes during the life of the loan. Changes are governed by the movement of an index – such as the treasury bill, treasury securities index, or London Inter-Bank Offered Rate (LIBOR) – and the margin and caps of the particular ARM program.

Amortization
The gradual repayment of a mortgage by scheduled installments.

Annual Percentage Rate (APR)
The actual interest rate, annualized, that a borrower pays when certain costs of financing are included.

Appraisal
A professional estimate of a property's market value.

Assessed Valuation
The value placed on a property to determine property taxes.

Cap
A limit placed on the upward movement of the payments and interest rates of a loan.

Closing
The meeting to finalize your financing by signing all documents and making the appropriate payments, including closing costs.

Closing Costs
Costs, in addition to the property price or loan payoff, that are due at the closing. Closing costs often include: origination fees; discount points; attorney's fees; costs for title insurance, survey and recording documents; and prepayments of real estate taxes and insurance premiums. Closing costs may include other fees, such as appraisal credit report cost and underwriting fees. Sometimes the seller will help the borrower pay some of these costs.

Closing Disclosure
The closing disclosure is designed to provide disclosures that will be helpful to consumers in understanding all of the costs of the transaction. This form must be provided to consumers at least three business days before consummation of the loan.

Collateral
Property pledged as security for a debt, such as real estate securing a mortgage.

Consumer Financial Protection Bureau
The Consumer Financial Protection Bureau (CFPB) is a U.S. government agency responsible for regulating mortgage lenders/banks that lend to consumers for home purposes.

Discount Points
A type of prepaid interest, charged at closing, that lowers the interest rate and subsequent payments. Each discount point generally costs 1% of the total loan amount.

Down Payment
The portion of the purchase price that the buyer pays and does not finance with a mortgage.

Escrow Account
An account held by the servicer to which the borrower pays monthly installments for property taxes and insurance. The servicer disburses funds as they become due.

Fannie Mae (Federal National Mortgage Association)
A private, shareholder-owned corporation created by Congress to support the secondary mortgage market by purchasing and selling residential mortgages insured by the Federal Housing Administration (FHA) or guaranteed by the Veterans Administration (VA), as well as conventional home mortgages.

Fixed Rate Mortgage
A mortgage in which the interest rate does not change throughout the loan term.

Freddie Mac (Federal Home Loan Mortgage Corporation)
A stockholder-owned corporation chartered by Congress to increase the supply of funds mortgage lenders can make available to homebuyers and multi-family investors.

Gift Letter
A letter or form verifying that part of the down payment is supplied by someone other than the borrower as a gift that does not have to be repaid.

Hazard Insurance
A broad form of real estate casualty insurance coverage that includes protection against loss from fire, certain natural causes and vandalism.

Homestead Exemption
A state exemption that protects homestead property, usually to a set amount, against the attachment rights of creditors.

Index
For an adjustable rate loan, a measure of current market interest rates is used to determine a new interest rate at the time of adjustment. If the index increases, the interest rate increases until an interest rate cap is reached. An index must be readily verifiable by the borrower and is beyond the control of the lender.

Loan Estimate
A loan estimate is designed to provide disclosures that will be helpful to consumers in understanding the key features, costs, and risks of the mortgage loan for which they are applying, and must be provided to consumers no later than the third business day after they submit a loan application.

Loan-To-Value Ratio
The ratio of a loan amount to the value or selling price of real property, usually expressed as a percentage.

Margin
The amount added to the index to determine the rate on an adjustable rate mortgage.

Market Value
An estimate of the price a property would sell for within a reasonable period of time on the open market under normal conditions.

Mortgage
A legal document that pledges a property to the lender as security for payment of debt.

Pre-Approval
The process used to determine how much money a homebuyer is eligible to borrow. Generally, the borrower's credit report is obtained.

Pre-Qualification
Compared to pre-approval, a less formal process used to estimate how much money a homebuyer may be eligible to borrow.

Private Mortgage Insurance (PMI)
Insurance written by an independent mortgage insurance company protecting the mortgage lender against loss if a borrower does not pay the loan.

Rate Lock
A written agreement that guarantees the borrower a specified interest rate as long as the loan is closed within a set period of time.

Refinancing
The process of paying off one loan with the proceeds of a new one and using the same property as security.

Secondary Market
The financial market where mortgages are bought and sold.

Servicer
The institution that collects loan payments and administers the loan after closing. This may or may not be the same company as the initial lender.

Title Insurance – Lender's
Insurance protecting the lender against loss arising from disputes over lien priority and ownership.

Title Insurance – Owner's
Insurance protecting the buyer against loss from disputes over rights to the property and ownership.

Transfer Tax
State or local tax paid when real estate passes from one owner to another.

Underwriting
The process of reviewing a loan, including an evaluation of the property, a review of the applicant's creditworthiness and compliance with program guidelines.

Many people have questions about mortgages, including the type of loan that is right for them. You'll find answers to the most common questions below. Your TD Bank mortgage advisor is always available to answer these or other questions in more detail.

Q. What are "closing costs"?

A. Closing costs are the fees paid at the meeting that completes your transaction, also known as the "closing." Closing costs often include: origination fees; discount points; attorney's fees; costs for title insurance, survey and recording documents; prepayments of real estate taxes and insurance premiums; appraisal fee, credit report cost and underwriting fees. Sometimes the seller will help the borrower pay some of these costs. For an estimate on fees and closing costs for your mortgage loan, get an official Loan Estimate before choosing a loan.

Q. Should I choose a fixed rate or adjustable rate mortgage?

A. There is no simple answer to this question, but choosing the right mortgage for you largely depends on your financial profile and how long you intend to keep the house. We recommend reviewing the features of each kind of mortgage, then speaking with your mortgage advisor, so you can feel entirely comfortable with your decision.

Q. How do I determine what price home I can qualify for?

A. How much home you can afford depends on how much you earn and how much you owe, as well as your savings and the type of loan you choose. To help you determine what you can afford, speak with a mortgage advisor at your nearest TD Bank or at 1-800-822-6761. We will consider your expenses in relation to your income to determine your maximum payment.

Q. When should I refinance?

A. When you own your home, you may have the opportunity to manage this important asset by refinancing your current mortgage. Perhaps you need extra money for college expenses or a major purchase, or perhaps you are considering an addition or remodeling. Refinancing may be the best choice for obtaining the lowest interest rate. You may not need to pay any out-of-pocket cash in the process. In addition, when rates are favorable, you may be able to lower your monthly mortgage payment or shorten your loan term.

Q. What is mortgage insurance, and who pays it?

A. Mortgage insurance Insurance enables a borrower to purchase a home with less than a 20 percent down payment. Mortgage insurance protects the mortgage lender against loss if a borrower does not repay the loan. It is the responsibility of the borrower to pay the premiums for this insurance. Your TD Bank mortgage advisor will be happy to discuss mortgage insurance and available government-insured programs.

Q. As a First-Time Homebuyer, what do I need to know?

A. A professional and experienced mortgage advisor is your greatest asset when financing a home. Your TD Bank mortgage advisor is familiar with all of our mortgage programs and is committed to partnering with you to best meet your goals and needs throughout the mortgage process.

Q. Should I include homeowners insurance in my estimated monthly payment?

A. Insurance is an essential part of every homeowners costs, but it is easy to overlook these additional costs when considering what is affordable in a house. It is important that you consider these necessary costs when calculating your monthly mortgage payments and that you understand the role insurance plays in the overall mortgage process. Insurance provides important protection for both you and the lender.

Visit tdbank.com/mortgage for more information, including calculators and frequently asked questions. Or, call us at 1-800-822-6761 to speak with a mortgage advisor.

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