

Home Buyer's Glossary

Adjustable-rate Mortgage (ARM) - A mortgage for which the interest rate and the payments change during the life of the loan.

Agreement of Sale - The contract in which the seller agrees to sell and buyer agrees to buy, with conditions and terms spelled out and signed by both parties.

Amortization - A plan for gradually repaying, in periodic payments, money borrowed.

Balloon Mortgage - A mortgage that has a large amount of the principle due at the time of maturity.

Bridge Loan - A loan that finances a mortgage at the end of one loan and the start of a new one.

Closing Costs - Expenses and fees that are added to the price of the property, paid by the buyer and the seller at the closing. The Agreement of Sale states who pays which costs.

Commercial Bank - A financial institution authorized to provide a variety of financial services, including consumer and business loans (generally short-term), checking services, credit cards and savings accounts.

Condominium - The buyer owns title to a residential unit, shares common areas with other unit owners and pays maintenance fees to the condominium association for property upkeep.

Conventional Loan - A loan not guaranteed by the VA or insured by the FHA.

Co-op - In exchange for the right to occupy a co-op unit, the buyer owns shares in the co-op corporation (made up of co-op residents), rather than owning real property.

Debt-to-income Ratio - A percentage arrived at by dividing the borrower's fixed monthly obligations by the borrower's monthly income.

Due-on-sale Clause - A mortgage stipulation demanding payment of the entire loan balance upon sale or other transfer of the real estate securing the loan.

Equity - The ownership interest remaining in property after payment of all liens or other charges on the property.

Escrow - Funds left in trust with a third party, to be paid to a designated recipient at a designated time.

Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac) - A quasi-governmental secondary market agency that purchases whole mortgage loans. Freddie Mac sells interest in pools of mortgage loans to obtain funds for mortgage loan purchases.

Federal Housing Administration (FHA) - A government agency within the Department of Housing and Urban Development that administers many programs involving housing loans made from private funds, including mortgage insurance for lenders and rent or interest assistance for low-income tenants and mortgagors.

Federal National Mortgage Association (FNMA or Fannie Mae) - A privately owned and managed corporation that purchases mortgage loans originated by other lenders. Fannie Mae issues stocks and securities to obtain funds for its purchases.

Fixed-Rate Mortgage - A loan that has one set interest rate. **Installment Debts** - A buyer's long-term debts; they usually extend for periods longer than nine months.

Intermediate-term Loan - A home loan of less than 30 years.

Life-of-loan Cap - A consumer protection on some adjustable loans. It limits the total upward adjustment that may occur during the life of the loan. Also known as an overall cap.

Loan-to-value Ratio - The relationship between the amount of a home loan and the total value of the property. Lenders may limit their maximum loan to 80-95 percent of value.

Lock-in Rate - A rate commitment made by lenders when making a mortgage loan to commit to or "lock in" that rate pending loan approval. Lock-in commitment periods vary.

Market Value - The highest price the buyer is willing to pay for a property and the lowest price the seller will accept.

Mortgage - A lien or claim on property given by a buyer to a lender as security for money borrowed.

Mortgage Broker - An individual or company that obtains mortgages for others by finding lending institutions, insurance companies, or private lenders to lend money.

Payment Cap - Limits the amount that a monthly payment on an ARM loan can increase at the time of adjustment.

Points - One percent of the amount of the mortgage loan.

Prepayment - Payment of a mortgage loan, or portion of the loan, before the due date.

Prime Rate - The interest rate that banks charge to their preferred customers. Changes in prime rate are used as indexes in some adjustable rate mortgages, especially home equity lines of credit.

Principal - The basic loan amount, separate from interest, insurance, and taxes.

Private Mortgage Insurance (PMI) - The insurance coverage offered by a private company that protects a lender against loss on a default mortgage loan. Its use is usually limited to loans with high loan-to-value ratios. The borrower pays the premiums.

Title - Proof of ownership.

Title Search - A check of title records to assure that the buyer is purchasing property with no liens, encumbrances, or other claims which might adversely affect the title's value or marketability.

Veterans Administration (VA) - A government agency that helps veterans of the armed forces obtain housing.

Updating will is important for estate

By Ilyce Glink
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Q: I always read your articles and am looking at one regarding contested title transfers.

The "Medical Certificate of Capacity" establishes that an individual had full capacity as of a certain date. It prevents any attempt to claim that you were incapacitated at some unspecified time in the past, and therefore at risk of the court attempting to void your pre-need documents. This form can be witnessed and updated yearly.

A: Thank you for your comment. As your estate attorney told you, the document couldn't hurt and it might help in certain circumstances. The big issue is what happens on the death of a loved one that left a will but the disposition of assets in the will doesn't please everyone.

If you have children or family members that are constantly squabbling, it won't matter what was signed and when it was signed. These family members will still squabble, argue and cause trouble.

There are different family situations that can cause problems. The first is when a parent quitclaims a home to a child before the parent dies. In this situation, the other children are left out and don't get any interest in the home.

Or, a parent decides in his or her will to leave the home to only one child and excludes the others. Again, one child is favored at the expense of others and family members can argue for an extended period why the one was picked over the others.

Yes, the document you cite would show that the parent was competent at a certain point of time. But the child

can still exercise undue influence on the parent. There may be other factors that could influence an otherwise sane parent to make a decision that he or she may otherwise not take.

We think the most important element is the element of trust. If the parent has a plan and wants to give his or her home to one child either during his or her life or by will, the parent should have a document in place to explain the reasoning for the disposition of the home. In the will, the parent can explain why he or she decided that the home should go to a certain person and why it shouldn't go to the others.

Even then, the children may still squabble, but at least the parent has put something down on paper to explain his or her reasoning and the judge can use that as a basis for his or her decision.

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