

Glossary of Mortgage Terms

Here are some common mortgage-related terms to help you better understand the lending process.

Mortgage Basics

- Income
- FICO Scores
- Down Payment Requirements
- Timelines

Income

Borrowers must have verifiable income to qualify for a loan. Debt to Income Ratio is the standard measure of loan qualification. This is calculated by dividing all credit reporting monthly payments by the gross monthly income.

Check with your mortgage loan originator for programs you may qualify for.

FICO Scores

FICO scores are a standard of measurement for credit worthiness. The scores have 300 to 850 range, the higher the score the lower the risk. The score is a synopsis of payment history, type of credit accounts and various other factors.

Downpayment Requirements

FHA Mortgage Structures (HUD) typically require a minimum down payment of 3.5%.

Conventional Mortgage Structures (Fannie Mae) require minimum down payment of 5%.

Cobalt Mortgage offers a variety of loan programs to fit individual circumstances. Contact me to determine what you may qualify for.

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Eric Engel

NMLS 636431, CO 100038339
Branch Manager
Cobalt Mortgage Inc., NMLS 35653
2900 S. College Ave Suite 1A Fort Collins,
CO 80525
(970) 212-9001
eric.engel@cobaltmortgage.com
www.ENGELLOANS.com
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Adjustable-rate mortgage (ARM)—also known as a “variable rate,” a type of mortgage in which the interest rate paid on the outstanding balance varies according to a specific benchmark.

Annual percentage rate (APR)—the relationship between a loan’s total finance charge and the total amount financed, expressed as an annual percentage. This total yearly cost includes interest, any discount points paid by the borrower, the loan origination fee, and mortgage insurance costs.

Appraisal—a trained appraiser’s estimate of the value of a piece of real estate as of a particular date, based on a documented analysis of the property’s features.

Down payment—money paid at the onset of a purchase to make up the difference between the purchase price and the amount financed in the mortgage.

Escrow—when money or documents are held by a disinterested third party (the escrow agent) on behalf of the parties to a transaction until specified conditions have been fulfilled.

FICO score—a standard of measurement used for estimating credit worthiness. Scores range from 350–850, with the highest score indicating the lowest risk.

Fixed-rate mortgage—a home loan with an interest rate that remains the same for the life of the loan.

Interest—a fee charged by a lender for borrowing money.

Lien—a claim upon a piece of property for the payment or satisfaction of a debt or obligation.

Lock-in—also referred to as a “rate lock,” an agreement where a lender guarantees a loan applicant a particular interest rate if the transaction closes within a specified period.

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

Pre-approval—indication by the lender of their willingness to grant a loan based on an assessment of the potential loan applicant’s financial standing.

Prequalification—determining the maximum mortgage payment and loan amount that prospective buyers are likely to qualify for, based on information provided by the buyer.

Underwriting—the process of evaluating a loan application to determine that level of risk for the lender. Also called “risk analysis” or “qualifying.”

For additional information, please visit www.cobaltmortgage.com/learning-center/glossary/a/

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