

MIRALEX MORTGAGE INC.

One Cross Island Plaza, Suite LL8A

Rosedale, NY 11422

Phone: 718-525-7900.... Cell: 718-506-2493.... Fax: 718-525-7904 / 800-804-7870

Mortgage & Real Estate Terms To Be Familiar With

Adjustable Rate Mortgage

A mortgage which has a rate that adjusts periodically based on a pre determined Index, Margin, Adjustment Period, Adjustment cap and Life cap. Also known as a Variable Rate Mortgage.

Amortization

The systematic and continuous repayment of an obligation through periodic installments until the debt has been paid in full.

Amortization Schedule

A timetable for payment of a mortgage showing the amount of each payment applied to interest and principal and the balance remaining.

Annual Percentage Rate (APR)

The total yearly cost of a mortgage stated as a percentage of the loan amount ; includes such items as the base interest rate, primary mortgage insurance and loan origination fee. Because extra costs are included in the calculation of this rate, it will always be a bit higher than the interest rate you agreed to pay on your mortgage.

Appraisal

A formal written estimation of the current market value of a home. Also refers to the process by which this estimate is obtained.

Appraised Value : The estimate of a property's value made by a qualified expert. Used by lenders to assure the value of the property is at least as much as the amount of the proposed loan.

Assessed Valuation : The value that a taxing authority places upon personal property for the purpose of taxation.

Annual Percentage Rate

An interest rate, which is calculated, based on the interest rate used to calculate your payments and the entire non-recurring loan related charges. This is the true interest rate as defined by the Fair Lending Law.

Assumption

A clause in a mortgage note that allows a tired party to assume responsibility for the loan, and therefore purchase a home without qualifying for a new loan. Most modern notes are only assumable by a fully qualified buyer only, rendering them quite useless.

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Budget

A written plan which shows your income and expenses as precisely as possible. A plan for SAVING and spending it will show you exactly where you stand financially.

Buy Down

Method of buying down the rate (by paying extra up front fees) to keep the mortgage payments low for a fixed period of time. This type of mortgage has become obsolete with the advent of 3/1 and 5/1 adjustable rate mortgages.

Cap

A limit on the variables of an adjustable rate mortgage. Periodic cap is the limit by which the rate may increase at each specified adjustment period and the life cap is the limit by which the rate may be adjusted in the life of the loan.

Closing

Also referred to settlement. The meeting or the time at the conclusion of the execution of all the documents and transfer of all funds between the parties in a real estate transaction.

Closing Agent/Attorney

A closing agent or attorney assures that all documentation related to the sale of a house had been completed properly, including the title search and title insurance. The closing agent explains all closing documents to the buyer and the seller, obtains signatures where necessary and record the documents.

Closing Costs or Settlement Costs

Costs in addition to the price of a house; usually includes fees associated with the mortgage application, approval and closing. May include fees for mortgage origination or application, credit report, underwriting, appraisal mortgage insurance and bank's attorney's fee, and repayable items such as taxes and insurance payments collected in advance and held in escrow.

Closing Statement/Settlement Sheet

A financial disclosure giving an account of all funds received, expected and spent at the closing of a real estate sale, including the escrow deposits for taxes, hazard insurance and mortgage insurance. The statement is furnished by the closing agent or attorney to the buyer and seller separately. The standardized form HUD-1, is used in most residential property sales.

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Closing/Settlement

The process that brings a loan into legal existence, including the signing of all loan documents, their delivery to the appropriate parties, and the disbursing of at least some of the loan funds. In real estate, the sale of the property is finalized by signing of the mortgage documents, and paying of closing costs. This includes the delivery of a deed, financial adjustments, the signing of notes and mortgages, and the disbursement of funds necessary to the sale of loan transaction.

Co-Borrower

The person who signs the mortgage note along with the borrower and who shares ownership to, and the responsibility to pay the monthly obligation on the mortgage with the borrower. Also called "co-mortgagor".

Commitment Letter/Commitment

A formal offer, similar to a pre qualification letter, stating the terms under which a lender agrees to lend money to a home, or commercial property buyer, at a future date, stated conditions that are included in the letter.

Comparables

Refers to the properties located within a certain distance from the subject property that were reviewed as part of a comparative market analysis in an appraisal report.

Comparative Market Analysis

A written report that reviews the prices of comparable homes that have closed or sold in the past six months if available, that are currently under contract or sometimes homes that are currently on the market.

Conditional Sales Contract

A contract for the sale of a property in which closing of the sale is contingent on fulfillment of certain conditions or contingencies. Such as appraisal, sale of existing property, obtaining suitable financing etc...

Contingency

A condition that must be met before a contract is binding. For example, the sale of a house might be contingent upon the seller paying for certain repairs.

Debt-to-Income Ratio

The ratio, expressed in percentage terms, obtained by dividing a borrower's total monthly obligations by the gross income.

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Discount Points

A fee paid by the borrower to a lender in order to reduce the interest rate. Strictly speaking, it a pre paid interest.

Down Payment

Cash paid by buyer, over and above closing costs, that makes up the difference between the sales price and the loan amount.

Ernest Money/Escrow deposit

Money paid by buyer into an escrow account as deposit towards the purchase in a real estate transaction.

Equity

Is the difference between the fair market value of a property and the lines against the property. It is the value that the seller will realize should the property be sold.

Escrow

An independent agent, who holds all the funds and acts as a go between in bringing the transaction to a close.

Fixed Rate Mortgage

A mortgage loan in which the rate remains fixed for the entire term of the loan

Loan-to-Value Ratio

is a ration in percentage terms obtained by dividing the desired loan amount by the value of the property.

Market Value

Otherwise known as Fair Market Value, is the price that a willing buyer will be prepared to pay a willing seller under normal circumstances. Calculated using comparative analysis with existing sales in the area.

Mortgage Insurance

Insurance obtained by the lender and paid for by the borrower that protects the lender against possible loss due to foreclosure. Normally required if the loan to value ration is higher than 80%.

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Origination Fee

The fee charged by the lender as a cost. Normally expressed as a percentage of the loan amount.

PITI

An acronym referring to Principal, Interest, taxes and Insurance. In other words: total Housing Expense.

Underwriting

The process of checking all the details of a transaction against established guidelines for granting a mortgage loan.

Variable Rate Mortgage

Also called an Adjustable Rate mortgage. A mortgage in which the rate may vary according to pre determined Index, margin and period.