



Florida Association of Mortgage Brokers Offer Consumers Terms to be Familiar with During the Home Buying Process

Buying a home is one of the largest financial transactions that a consumer will make in their lives. Becoming a homeowner can be a difficult decision to make and one that consumers should be prepared to accept the responsibilities that coincide with homeownership. During this complex process, the Florida Association of Mortgage Brokers (FAMB) offers consumers terms they should be familiar with when purchasing a home. Understanding the following terms will help consumers better understand the process of borrowing money for a home loan:

- **Credit score** – A credit score is a determined scientific number from 300-850, which indicates the level of risk for repayment of debt to a lender at the time of the credit inquiry. Credit scores are based on consumer's current debt utilization, payment history including mortgages, credit cards, auto loans and bankruptcy filings, any other public record, how long credit has been established and a mix of other credit types they are using.
- **Mortgage Broker** - A mortgage broker's primary function is the origination of mortgage loans. A mortgage broker will help a borrower determine the best type of mortgage to suit their needs. Once this determination is made, then a mortgage broker will shop the marketplace for the best pricing for that particular type of loan. Once this is determined, then the mortgage broker co-ordinates the closing and the borrower will make payments to the ultimate purchaser (mortgage servicer) of the loan.
- **Mortgage Banker** – The lender of the mortgage loan, lending the money directly to the borrower. Many area banks and savings and loan institutions function as a mortgage banker as they lend the banking institution's own funds to create the mortgage for the consumer. The banker then usually sells the mortgage to lenders in the secondary mortgage markets, including Fannie Mae and Freddie Mac. Mortgage bankers collect the borrower's payments and then distribute the proceeds to the lenders.
- **Lender** – A private or public institution which makes funds available to consumers to borrow. When working with a mortgage broker, they have access to many lenders and their products unlike banks that only are able to offer in-house loan products.
- **Good Faith Estimate (GFE)** – A document that must be legally provided within three days of application and estimates all costs associated with obtaining and closing on a home loan.
- **Rate Lock** – A commitment by a lender guaranteeing a specific interest rate for a specific period of time to the borrower.
- **Fixed Rate** – A loan program in which the interest rate does not change during the entire term of the loan.
- **Adjustable Rate** – A loan program where the interest rate changes on a periodic basis, determined on the length of the loan. The change of the interest rate is tied to movement of the prime interest rate.



- **Escrow** – An account held by the lender whereby a homeowner then pays money for taxes and insurance.
- **Private Mortgage Insurance (PMI)** – Mortgage insurance provided by a non-government insurer that protects a lender against loss if the borrower defaults.
- **Appraisal** – A written document of the market value of a property, such as a home or business, whose market price is not easily determined. Documentation of an appraisal is required when a property is sold, taxed, insured, or financed.
- **Title** – A legal document establishing evidence of ownership.
- **Truth-in-Lending (TILA)** – Requires the lender to disclose the cost of credit to the consumer and the terms of repayment.
- **HUD-1 Statement** – A document prepared by a closing agent describing a real estate transaction, including the escrow deposits for taxes, commissions, loan fees, points, mortgage insurance and final closing costs. HUD-1 statement can also be referred to as a closing statement or settlement sheet and must be provided to the borrower at least one day prior to closing.
- **Closing costs** – Costs consumers should expect to pay prior to closing on a home loan. Such costs may include title search, processing fees, application fees and credit report. Final closing costs depend on what type of loan the consumer has and the amount of money they are borrowing.

The Florida Association of Mortgage Brokers is the oldest state trade mortgage association in the nation whose members strive to attain the highest degree of excellence and customer service available. FAMB members also subscribe to a strict code of ethics. For more information or to find a mortgage broker in your area, visit the consumer information page on the FAMB web site at www.famb.org.