



Glossary

For First-Time Home Buyers

Success Starts Here.



First State
Community Bank

A

Adjustable rate mortgage (ARM) – A mortgage whose interest rate is applied to the outstanding balance on the home loan and changes or adjusts periodically, usually monthly or annually, to reflect current market interest rates.

Appraisal – An independent assessment of the value of a property offered by a licensed appraiser. Appraisals on homes are required prior to obtaining a mortgage.

C

Conventional loan – A mortgage that is not guaranteed by any government agency, such as the FHA.

D

Down payment – The initial payment required from the buyer for a purchase of an expensive item, such as a car or a house. For first-time home buyers, the minimum down payment can range from 0-20 percent of the purchase price.

E

Equity – The current market value of a house or property minus any liens such as an outstanding mortgage balance. The equity in a home will change over time based on market conditions and the outstanding mortgage balance.

Escrow – The temporary condition when an item such as property is transferred to a neutral third party as part of a sale. The property and monies are held in trust until the terms of the transaction are complete.

F

Fannie Mae – The nickname for the Federal National Mortgage Association, which was established in 1938 to create a secondary mortgage market. Fannie Mae is now a federally chartered corporation that buys mortgages not insured by the FA.

Freddie Mac – A government-owned corporation that purchases mortgages and packages them as mortgage-backed securities. Banks use Freddie Mac funds to give loans to home buyers.

Federal Housing Authority (FHA) – A United States government agency created by the National Housing Act of 1934. The FHA is responsible for setting standards for home construction and underwriting and insuring loans made by private lenders for home building.

Fixed-rate mortgage – A fully amortized mortgage whose interest rate remains the same through the term of the loan.

H

Home warranty – A residential service contract to maintain home appliances such as washers, dryers, water heaters, air conditioning, furnaces, and so on.

Home warranty insurance – Insurance protection for things that might happen to your home because of fire, theft, natural disaster, and so on. It differs from a home warranty.

J

Jumbo loan – Financing that exceeds government limits and, unlike a conventional mortgage, is therefore ineligible to be secured by Fannie Mae or Freddie Mac.

L

Loan principal – The amount of a mortgage or loan that is still owed by the borrower before interest.

M

Money market account – An interest-bearing bank account that typically pays a higher interest rate than a savings account and that offers limited check-writing ability.

Mortgage broker – An intermediary who matches mortgage borrowers and lenders but does not fund the mortgage themselves. For a commission fee, the mortgage broker gathers the necessary paperwork from the borrower and shares with the mortgage lender for loan approval.

Mortgage interest rate – The rate of interest or percentage charged for a mortgage. The mortgage interest is the money charged for the home loan and is paid along with the principle as part of monthly payments over the life of a mortgage.



P

Prequalify – Using information submitted by the borrower, a bank or mortgage lender provides an estimate of how much you are able to borrow. It is not a guarantee that they will give you a mortgage.

T

Title insurance – A form of indemnity insurance against financial loss in the event there is a problem with the property title after financing.

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Introducing the First-Time Homebuyers Savings Account

Owning your first home is easier than you think.

If you're ready to take the leap from renting to homeownership but unsure where to start, we can help. Learn more about this program below.

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