##### [00:00:00.790] - Speaker 1

Howdy I want to dive a bit into mortgage terms, because when we talk about mortgaging and refinancing, there's going to be a great deal of lingo you may have never heard before. As we go through explanations for some of the most common terms that get brought up with customers.

##### [00:00:15.590] - Speaker 2

This video will hopefully provide you with.

##### [00:00:17.980] - Speaker 1

A greater understanding of this topic, allowing you to more easily navigate the process. The first term we're going to break down is an Arm. Arm stands for an adjustable rate mortgage. What this means is that the rate will readjust at a specific time and, depending on how it's structured, could readjust multiple times after that time frame has expired. For example, if you're on a seven year Arm, at year seven, the rate will readjust to the market rate and then might adjust after that. The rate at which it could adjust will be specific to what the bank does with Arms, you want to talk with your loan officer about how many times a rate might adjust and whether there is a cap on how high the rate could go. Although they have a bad rep since the recession in 2008, arms can be a really strategic option for people looking at potentially short term financing or for those looking to buy a piece of land intending to build on it in a few years. Second, let's talk about underwriting. Underwriting is an all encompassing term for a loan being looked at by credit analysts and then having title work and appraisal reviewed by the respective team.

##### [00:01:27.310] - Speaker 1

Underwriters are the team that signs off on all aspects of a loan, including the title commitment, title documents, and an appraisal. The underwriter can also be an individual.

##### [00:01:38.370] - Speaker 2

That is representing the company who will.

##### [00:01:40.770] - Speaker 1

Close in service alone. So underwriting is basically an umbrella term that gets more specific with context. Our next term is conditional approval. This is when the credit team has looked at a loan and agreed that from a financial and ratio perspective, the loan looks good. It cannot have final approval until you receive both in an appraisal and title work that needs to be signed off on. Conditional approval comes first because it takes the least amount of time. Next, we have balloons. Sorry to disappoint, these are not party balloons. A balloon is when you have a loan that may be amortized over a certain period, which then at that point needs to be either paid off or refinanced. Pretty simple. Now let's get into what TRID means. The Tribe rule came about after the recession and describes how your loan officer has to disclose loans. Specifically, it requires that a loan estimate and closing disclosure be provided for most consumer mortgage loans. It affects the 72 hours waiting period that has to happen from getting a preliminary closing disclosure to being able to sign. This term is important because it directly affects our customers, but it is something that is out of our control.

##### [00:02:53.320] - Speaker 1

Moving on. Escrow is another popular term you might have heard before but don't understand. Escrow is an account that is very common for people with a mortgage to have. You will fund it at closing, contribute to it every month during your monthly payment, and it will pay for your property taxes and insurance on your behalf. It is important to note that while the closing costs themselves will not be.

##### [00:03:16.890] - Speaker 2

Higher, if you opt out to escrow.

##### [00:03:19.220] - Speaker 1

A loan, there will be extra cash required at closing because you're funding the account. Mortgage insurance is an insurance that is paid to lenders for loans that are deemed higher risk because of their loan to value. Adding to that, it is also typically required on governmental loans, like an FHA. Mortgage insurance helps you to qualify for a loan by lowering the risk for the lender. Fannie and Freddie is a term that refers to two government agencies, fannie Mae and Freddie Mac, that by conventional loans they hold about 98% of the loans that originated in the US. Debt to Income, or DTI, looks at the percentage that your monthly obligations are of your gross income. We will compare these expenses with your gross income, and, depending on the underwriter we work with, the requirements can range from 39% to 50%. DTI exists to ensure that you do not use all of your money to pay for your house. As we've gone through these terms, we hope a few light bulb turned on and you can feel a greater sense of security and preparedness in knowing more about your mortgage terms and how they can affect you.

##### [00:04:27.270] - Speaker 1

If you wish to discuss this topic in greater detail, Texas Farm Credit is.

##### [00:04:31.600] - Speaker 2

Just a call away.