

[00:00:00.160] - Speaker 1

Understanding financial terminology is an essential part of financial literacy. At first, the words might sound like a foreign language. They might intimidate, but it's an important language to learn. It's how lenders, banks and credit card companies talk about you. Let's dive in. The Debt to Income, or DTI ratio, measures the amount of income a person or organization generates in order to service a debt. Although important, the DTI ratio is only one financial ratio, or metric used in making a credit decision. A borrower's credit history and credit score will also weigh heavily in a decision to extend credit to a borrower. Escrow is a financial arrangement in which two parties enlist a disinterested third party, usually a title company to temporarily hold money, paperwork or other assets for a transaction on their behalf before they have completed the transaction. When you commit to buying or selling something, you agree to fulfill certain terms. Your loan term is the time you have to repay your loan. For mortgage loans, you will typically see a 15 or 30 year loan term, and your principal balance is the amount of money you agree to borrow. As you repay your loan, the principal balance decreases.

[00:01:10.720] - Speaker 1

The principal amount does not include the interest you owe. APR stands for Annual Percentage Rate, and it's the total yearly cost of taking out a loan. This rate will include the interest rate along with any other finance charges, such as an origination fee. When a loan has a fixed interest rate, the interest rate remains the same for the loan's duration. Since the interest rate remains the same, the monthly payment doesn't change. When you take out a loan with a variable interest rate, the interest rate fluctuates based on a benchmark rate specified in the loan agreement. If you choose a loan with a variable interest rate, your payments could increase or decrease over the life of the loan. When you lock in your interest rate with your lender, it protects you from the interest rate increasing. When you take out a loan with a variable interest rate, the interest rate fluctuates based on a benchmark rate specified in the loan agreement. If you choose a loan with a variable interest rate, your payments could increase or decrease over the life of the loan. When you lock in your interest rate with your lender, it protects you from the rate increasing due to the market conditions.

[00:02:12.190] - Speaker 1

If rates go down prior to your loan closing and you want to take advantage of a lower rate, you may pay a fee and relocate at the lower interest rate. An origination fee is a fee that's passed to you from your lender. This covers the lender's cost of underwriting, processing and administering your loan. This can be a flat fee or a percentage based on your loan amount.

[00:02:31.150] - Speaker 2

Collateral is the asset you use to secure a loan.

[00:02:34.270] - Speaker 1

For a mortgage loan, your collateral would be the property that you are purchasing or refinancing. If you cannot repay your loan, the lender can foreclose on your home. When you apply for a loan and receive the funds, you are the borrower.

[00:02:46.620] - Speaker 2

As the borrower, you have to repay. The loan according to the loan terms agreed upon. A cosigner is an individual who agrees to sign on the loan to help someone.

[00:02:55.590] - Speaker 2

If a borrower has a lower credit.

[00:02:57.340] - Speaker 1

Score or no credit history to qualify for the loan, a cosigner can help.

[00:03:01.530] - Speaker 2

A lender will allow you to borrow.

[00:03:03.030] - Speaker 1

A certain amount of money based on your income, creditworthiness and DTI. It's wise to consider

your budget before borrowing the maximum amount of money.

[00:03:11.340] - Speaker 2

They will also look at the value.

[00:03:12.780] - Speaker 1

Of your collateral and determine a loan to value ratio. Growing in financial literacy is a very empowering step on your journey.

[00:03:20.850] - Speaker 2

And we're always here to help you.

[00:03:22.260] - Speaker 1

Understand knowledge is power. And now you're ready to go out there and make some informed decisions and no longer feel like we're speaking an unfamiliar language. Give us a ring.

[00:03:31.680] - Speaker 2

We're always here for you.