



## **Glossary of Financial Terms**

These financial definitions are provided for your reference as you search for and find your perfect DevonleIGH home:

<b>Adjustable Rate Mortgage</b>	A type of loan where the interest rate changes periodically up or down, usually once or twice a year.
<b>Amortization</b>	The process of reducing a loan in equal instalments of principal and interest.
<b>Appraisal</b>	An estimate of the fair market value of a land parcel and any improvements at a given point in time.
<b>Cap</b>	The limit on an interest rate for an adjustable rate mortgage, which applies to each adjustment or over the life of the mortgage.
<b>Closing Costs</b>	Your costs as a buyer such as legal fees, mortgage insurance, homeowner's insurance, prepayments for property taxes, etc. paid at the time of closing.
<b>Closing Date</b>	The exciting day you have been waiting for, when your deed and mortgage are recorded at the registry office and you get the keys to your new home.
<b>Canada Mortgage Housing Corporation</b>	(CMHC) provides mortgage loan insurance to lenders for home buyers with a down payment of less than 20%, to as low as 5%. However, this is not to protect the buyer, it is used to protect the lender. CMHC insurance guarantees the bank or credit union that it will not lose money on this high ratio mortgage.
<b>Commitment Letter</b>	A binding, written pledge, by the lender to a mortgage applicant, to make a loan, usually under certain stated conditions.
<b>Credit Score</b>	A numerical rating that indicates a mortgage applicant's creditworthiness based on a number of criteria.
<b>Debt to Income Ratio</b>	A formula lenders use to determine the loan amount for which you may qualify. Guidelines may vary, depending on the loan program.
<b>Deed</b>	A legal document that transfers real property from seller to the buyer.
<b>Down Payment</b>	The difference between the sale price and the loan amount, which must be paid in cash by the buyer.
<b>Fixed Rate Mortgage</b>	A loan with an interest rate that remains the same for the entire repayment term.



<b>Floating The Rate</b>	This term is used when a mortgage applicant chooses not to secure a rate lock, but instead allows the interest rate to fluctuate until the applicant decides to lock in, usually no later than five days prior to closing.
<b>Home Mortgage Consultant</b>	The home mortgage representative a homebuyer initially consults about a mortgage loan. Sometimes called a loan officer, account executive or sales representative.
<b>Home Owner's Insurance</b>	A real estate insurance policy required of the buyer protecting the property against loss caused by fire, some natural causes, vandalism, etc. May also include coverage such as personal liability and theft.
<b>Interest Rate</b>	A percentage of the mortgage amount that is paid to the lender for the use of the money, usually expressed as an annual percentage.
<b>Interim Interest</b>	The interest that accrues, on a per-diem basis, from the day of closing until the end of the month.
<b>Legal Description</b>	A description of real property that usually refers to recorded maps, surveys and other public documents to designate the location of the property.
<b>Lock in Rate</b>	A benefit Devonleigh Homes may offer homebuyers, freezing The interest rate for their loan for a certain period of time.
<b>Mortgage Insurance</b>	An insurance policy which will repay a portion of the loan if the Borrower does not make payments as agreed upon in the note. Mortgage insurance may be required in cases where the borrower makes less than a 25% down payment on the home loan.
<b>Mortgage Specialist</b>	The mortgage company employee responsible for collecting the completed application and all supporting documents before the entire loan packet is submitted to underwriting.
<b>Mortgagee</b>	The Lender
<b>Mortgagor</b>	The Borrower
<b>PITI</b>	Principal, Interest, Taxes and Insurance; a quick way to reference Your combined monthly house payment
<b>Pre-payment Penalty</b>	A fee imposed for paying off part or all of a loan before its maturity
<b>Principal</b>	The amount of a loan, excluding interest; or the remaining balance of a loan, excluding interest.



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<b>Purchase Agreement</b>	A written document confirming your decision to buy your new home and Devonleigh Homes' decision to sell under stated terms and conditions.
<b>Rate Cap</b>	The limit of how much the interest rate may increase on an ARM at each adjustment and over the life of the loan.
<b>Rate Lock</b>	The borrower and the lender agree to protect the interest rate, points and term of the loan while it is processed.
<b>Statement of Adjustments</b>	The financial disclosure statement that accounts for all of the funds received and expected at the close of your home.
<b>Tarion</b>	The Regulator of the new home building industry in Ontario which licenses all new home and condominium builders in the province and ensures that all new homeowners receive the new home warranty coverage that they are entitled to by the law.
<b>Title</b>	Evidence of a person's right to ownership in real property
<b>Underwriting</b>	The process of a lender reviewing the application, documentation and property prior to rendering a loan decision.