

Key Terms To Know When Buying a Home



Appraisal

A report highlighting the estimated value of the property completed by a qualified third party.

Lenders rely on appraisals to validate a home's value and ensure they're not lending more than the home is worth.



Closing Costs

The fees required to complete the real estate transaction. Paid at closing.

Ask your lender for a complete list of closing cost items, including points, taxes, title insurance, and more.



Credit Score

A number ranging from 300–850 that's based on an analysis of your credit history.

This helps lenders determine the likelihood you'll repay future debts.



Down Payment

Down payments are typically 3.5–20% of the purchase price of the home. Some 0% down programs are also available.

Ask your lender for more information.



Mortgage Rate

The interest rate you pay to borrow money when buying a home.

The lower the rate, the better.



Pre-Approval Letter

A letter from a lender indicating you qualify for a mortgage of a specific amount.

This is a critical step in today's competitive market.



Inspection Contingency

A provision in a contract requiring an inspection be completed.

While it can be tempting to waive in a competitive market, the home inspection is essential. It gives you information on the home's condition and potential repairs.



Affordability

A measure of whether someone earns enough to qualify for a loan on a typical home based on the most recent price, income, and mortgage rate data.

As prices and mortgage rates continue to rise, that will impact how much home you can afford.



Equity

The value in your home above the total amount of liens against your home.

With today's price appreciation, many homeowners are realizing they have more equity than they thought and they're using it to move.