WHEDA TOGETHER WE BUILD WISCONSIN®

Important Mortgage Terms

Understanding your loan options starts with learning important common mortgage terms.

There are terms people in the mortgage industry will use when working with you. Below are **important ones you should know and understand:**

Term	Definition
Loan to Value (LTV)	Percentage of mortgage in relation to home value. ❑ Example: Value $100,000 Mortgage - $97,000= 97% LT
Combined Loan to Value (CLTV)	Percentage of total mortgages in relation to home value ❑ Example: Value $100,000 -First Mortgage $97,000 -Second Mortgage $3,000 = 97% LTV/100% CLTV
High Combined Loan to Value (HCLTV)	Percentage of total mortgages in relation to home value ❑ Example: Value $100,000 -First Mortgage $97,000 -Second Mortgage $3,000 = 97% LTV/100% CLTV, additional second mortgage or grant $5,000 = 105% HCLTV

Mortgage Insurance	**WHEDA ADVANTAGE FHA FIRST MORTGAGE**
	FHA requires two types of mortgage insurance required on ALL FHA loans
	❑ Up **Front Mortgage Insurance Premium (UFMIP)**
	  ❑ Currently 1.75% of your first mortgage loan amount
	  ❑ It can be paid at closing or financed into your loan
	❑ Mortgage **Insurance Premium (MIP)**
	  ❑ Calculated at .80% or 85% of your total loan amount divided by twelve
	  ❑ Paid monthly over the life of your loan.

	WHEDA ADVANTAGE CONVENTIONAL FIRST MORTGAGE Mortgage insurance is required ONLY if your Loan to Value (LTV) exceeds 80% ❑ There are several different types of mortgage insurance for Conventional loans ❑ The amount of your mortgage insurance depends on your credit score, LTV, and loan term
Debt to Income (DTI)	❑ Debt to Income Ratio – the percentage of your monthly income that your current debts and your mortgage payment will take up
Amortization	❑ Amortization means paying off a loan with regular payments over time, so that the amount you owe decreases with each payment. WHEDA first mortgage loans amortize over 30 years.
Amount Financed	❑ It means the amount of money you are borrowing from the lender, minus most of the upfront fees the lender is charging you
Annual Percentage Rate	❑ An annual percentage rate (APR) is a broader measure of the cost of borrowing money than the interest rate. The APR reflects the interest rate, any points, mortgage broker fees, and other charges that you pay to get the loan. For that reason, your APR is usually higher than your interest rate
Escrow	❑ An escrow account is set up by your mortgage lender to pay certain property-related expenses, like property taxes and homeowner's insurance. A portion of your monthly payment goes into the account.

Source: Consumer Finance Meant for informational purposes only. Does not guaranty loan approval. Subject to change without notice

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