JACKSON COUNTY BANK
8 MAIN STREET • P.O. BOX 490 • BLACK RIVER FALLS WI 54615
jacksoncountybak.com (715) 284-5341 MEMBER FDIC

# Home Purchase Terminology

Note: This information is to be used for reference only. The actual mortgage lending process and documents will be presented and explained by your Realtor and your Loan Officer.

## Rates, Points & Loan Fees

The total cost of your mortgage is determined by a number of different factors, most notably the interest rate, points, and loan fees. The expenses that contribute to the cost of your loan can be expressed as the annual percentage rate (APR).

- **Interest Rate** refers to the percentage of your outstanding loan balance that you pay the lender each month as part of the cost of borrowing money. Your interest rate will be based on the current overall rate environment, as well as your financial profile and the specific features of your loan.
- **Points** allow you to “buy down” your interest rate at closing. One point equals 1% of your loan amount, and the more points you pay, the lower your interest rate will be, and the less you will have to pay each month. How much your rate will decrease with each discount point you pay will depend on the specific features of your loan.
- **Loan Fees** are up-front charges to cover the cost of originating, processing, and closing your loan, among other things. An origination point is a loan fee that equals 1% of your loan amount.

When considering loan pricing, keep in mind that rates, points and fees should be considered together. The interest rate alone only tells part of the story.

## Monthly Mortgage Payment

Mortgage payments can generally be divided into four parts: principal, interest, taxes, and insurance. These are often referred to as your PITI.

- **Principal** refers to the amount of money you borrow to buy a home and to the outstanding loan balance at any point during the mortgage term.
- **Interest** is the cost of borrowing money. The amount of interest you pay each month is determined by your interest rate.
- **Taxes** assessed by your local government may be collected by your lender as part of your monthly payments, and then paid annually or semi-annually on your behalf. This process is known as an escrow.
- **Insurance**, like property taxes, is normally collected by the lender in an escrow account. Insurance offers financial protection, and has three major components:
    - **Homeowner's insurance**, also called hazard insurance, protects you against damage to your property caused by fire, wind, or other hazards.

- **Mortgage insurance** protects your lender in the event that you fail to repay your mortgage. Whether you must pay mortgage insurance usually depends on the loan program and the size of your down payment.
- **Flood Insurance** is required if your property is located in a flood zone, you may be required to obtain flood insurance coverage

**The Closing**

The closing is the final phase of your home buying and mortgage process, so now your new home is just a few steps away. If you haven't already, make sure you do the following:

- Review your loan commitment with your lender to make sure you understand all the requirements.
- Set the closing time and date based on your sales contract and the loan commitment expiration.
- Make preparations to move (notify your landlord, complete change of address forms, arrange for utilities to be disconnected at your current address and made available at your new home, and plan your actual move).
- Conduct a final walk-through inspection of your home-to-be.
- Make sure you've satisfied all the requirements of your agreement with the seller.
- Get a ***certified or cashier's*** check from the bank for your closing costs and down payment. Cash or personal checks are generally not accepted.

On closing day, ownership of the property will be transferred from the seller to you, and you will sign documents (Warranty Deed and Transfer Tax Form) that acknowledge your rights to the property you have purchased, your agreement (the mortgage) to repay the money you have borrowed and the lender's right to the property if you default on the loan.

8 Main Street • P.O. Box 490 • Black River Falls, WI 54615
Phone (715) 284-5341 • Fax (715) 284-7470 • Member FDIC
E-mail: jcbank@jacksoncountybank.com • www.jacksoncountybank.com