Borrow Wisely with these Keys:

Local servicing • Pre-approvals • Competitive interest rates • Personal service • Tailored loan programs*

Helping You Understand Mortgage Terms

Annual Percentage Rate (APR) – A yearly rate of interest that includes fees and costs paid to acquire the loan.

Total Interest Percentage (TIP) – (from Reg Z 1026.37(l)(3)): The total amount of interest that the consumer will pay over the life of the loan, expressed as a percentage of the amount of credit extended.

Mortgage Loan Transaction Estimate – (from the final rule preamble): A form provided by the Originator in good faith within three business days after the consumers submit a loan application that is designed to provide disclosures that will be helpful to consumers in understanding the key features, costs, and risks of the mortgage for which they are applying.

Mortgage Loan Transaction Closing Disclosure – (from the final rule preamble): A form designed to provide disclosures that will be helpful to consumers in understanding all of the the costs of the transaction, provided three business days before the loan can close.

Servicing Your Loan – The entity that collects the loan payments and manages the loans escrow accounts is the "loan servicer." Merchants Bank customers benefit because the Bank retains the servicing rights for the vast majority of traditional mortgage loans originated through our offices.

Points vs. Buy down vs. Origination Fee – A discount point equals 1 percent of a mortgage loan and is used to reduce the interest rate. Buy downs are fees to reduce the interest rate. Some lenders charge "an origination fee" as a bank fee to originate the loan. Generally, when you have one of these fees you may have a lower rate, or you can have a higher rate and not pay the fee.

Escrow Account – An impound account in which a portion of your monthly mortgage payment is deposited to cover annual charges for homeowner's insurance, mortgage insurance (if applicable), and property taxes.

Home Inspection – An inspection of the mechanical, electrical, and structural aspects of your home. You will pay a fee for this inspection, and the inspector will provide you a written report evaluating the condition of the home.

Loan to Value (LTV) Ratio – A percentage calculated by dividing the amount to be borrowed by the price or appraised value of the home to be purchased (whichever is less). The loan to value ratio is used to qualify borrowers for a mortgage, and the higher the LTV, the tighter the qualification guidelines for certain mortgage programs become. Low loan to value ratios are considered below 80%, and may have lower rates since borrowers are lower risk.

Debt to Income (DTI) Ratio – The total amount of fixed monthly expenses divided by monthly gross income. Monthly fixed expenses would include expenses like a house payment, credit card balances that would take more than ten months to pay off, car payments and support payments. Payments that would be paid off in several months or less would not be included, expenses like groceries, telephone bill and utility bills.

Private Mortgage Insurance (PMI) – Insurance that protects your lender if you default on your loan. With conventional loans, mortgage insurance is required if you do not make a down payment of at least 20% of your home's appraised value. Your lender may require payment of your first year's mortgage insurance premium or a lump sum premium that covers the life of the loan in advance at settlement. The same insurance protection on an FHA loan is called Mortgage Insurance Premium (MIP).

Recording and Transfer Charges – These charges include fees paid to the local government for filing official records of a real estate transaction.

Title Insurance – The lenders policy is insurance that protects your lender against any title dispute that may arise over your property. Through a title search, the lender verifies who the actual property-owners are and whether the property is free of liens. The title search company then issues title insurance which protects the title of the property against any unpaid mortgages and judgements. In case a claim is made against the property, the title insurance provides legal protection and pays for court fees and related costs. Under the lenders policy, the lender is protected. You may also purchase Owner's title insurance which protects you as the homeowner.

HELOC – Home Equity Line of Credit* – A line of credit secured by a 2nd mortgage on your home that may be available to a homeowner based on the percentage of equity they have in their home. **Subject to credit approval.*

Merchants Bank

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**Subject to credit approval.*

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