

**UTAH HOMEOWNERSHIP AUTHORITY
CONSUMER GUIDE SERIES**

The Utah Mortgage Dictionary

Plain-English Mortgage Terms Every Utah
Homebuyer and Homeowner Should Know

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A Consumer Education Guide for Buying, Refinancing, and Home Equity



Welcome

Congratulations on taking one of the most important steps in your homeownership journey: learning the language of mortgage lending.

Whether you are buying your first home, refinancing an existing loan, or tapping into your home equity, the mortgage process is filled with unfamiliar terms, complex documents, and financial jargon that can feel overwhelming. This guide was created to change that.

Why This Guide Matters

Every year, thousands of Utah homebuyers sign mortgage documents they don't fully understand. They agree to terms they can't explain, pay fees they didn't expect, and make decisions based on incomplete information.

That's not their fault. The mortgage industry uses specialized language that most people never encounter until they're sitting at a closing table. By then, it's too late to ask questions without feeling rushed.

This dictionary puts you in control. When you understand the terms, you ask better questions. When you ask better questions, you get better answers. And when you get better answers, you make better financial decisions that can save you tens of thousands of dollars over the life of your loan.

How to Use This Dictionary

This guide is organized alphabetically for quick reference, but it's designed to be read cover to cover. Each term includes:

- A plain-English definition written for real people, not lawyers
- A "Why It Matters" section explaining how the term affects your wallet
- A real-world example showing the term in action

Throughout the guide, you'll also find educational sidebars including Mortgage Tips, Did You Know? facts, and Myth vs. Fact boxes that clear up common misconceptions.

Keep this guide handy during your home search. Bring it to meetings with your lender. Reference it when reviewing your Loan Estimate or Closing Disclosure. The more you use it, the more confident you'll feel.

QUICK TIP

Don't try to memorize every term at once. Start with the terms your lender uses most often: APR, escrow, DTI, closing costs, and pre-approval. Once you're comfortable with those, expand from there. Understanding even five key terms puts you ahead of most borrowers.



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Introduction

Welcome

Welcome to The Utah Mortgage Terminology Dictionary—your plain-English guide to understanding the language of homeownership. Whether you're a first-time homebuyer exploring your options, a veteran navigating a VA loan, a senior considering a reverse mortgage, or a homeowner looking to refinance, this guide was created with you in mind.

The mortgage industry has its own vocabulary—one filled with acronyms, legal terms, and financial jargon that can feel overwhelming. Words like “amortization,” “escrow,” and “underwriting” are thrown around as if everyone already knows what they mean. But here's the truth: you don't need a finance degree to buy a home. You just need the right information, explained clearly.

This dictionary is designed to demystify the mortgage process and put the power of understanding back in your hands.

Why Mortgage Terms Matter

Buying a home is one of the most significant financial decisions you'll ever make. The contracts you sign, the loan products you choose, and the fees you pay all hinge on understanding the terminology used throughout the process. When you know what terms like “APR,” “closing costs,” and “debt-to-income ratio” actually mean, you're better equipped to ask the right questions, compare loan offers, and avoid costly surprises at closing.

Confusion leads to mistakes. Clarity leads to confidence. This guide gives you that clarity.

How This Dictionary Helps You

- **Make Informed Decisions** — Understanding mortgage terminology allows you to evaluate loan options, compare lenders, and choose the financing that best fits your financial situation and long-term goals.
- **Ask Better Questions** — When you understand the language, you can have more productive conversations with loan officers, real estate agents, and title companies.
- **Avoid Costly Mistakes** — Misunderstanding a single term—like “prepayment penalty” or “adjustable-rate mortgage”—can cost you thousands of dollars over the life of your loan.
- **Navigate the Process with Confidence** — From pre-approval to closing day, knowing what each term means helps reduce stress and keeps you in control of your homeownership journey.
- **Protect Yourself from Fraud** — Understanding terms related to wire transfers, closing disclosures, and loan estimates helps you spot red flags and protect yourself from scams.

How to Use This Guide

Think of this dictionary as your personal mortgage translator. Keep it handy during every stage of your home buying or refinancing journey. When you receive a Loan Estimate, read through a purchase agreement, or sit down at the closing table, refer to this guide whenever you encounter an unfamiliar term. The definitions are written in plain English—no legal jargon, no confusing explanations.

QUICK TIP

Bookmark the terms that apply to your loan type. If you're using an FHA loan, flag terms like “mortgage insurance premium” and “FHA loan limits.” VA borrowers should focus on “Certificate of Eligibility” and “VA funding fee.” Tailoring this guide to your situation makes it even more useful.

How to Use This Dictionary

Finding What You Need

This dictionary is organized alphabetically from A to Z, making it easy to locate any mortgage term quickly. Each letter section is clearly marked with a bold header, so you can flip directly to the terms you're looking for. Whether you're reviewing a Loan Estimate and need to understand "origination fees," or you're curious about what "escrow" really means, simply turn to the appropriate letter section and scan for your term.

If you're not sure of the exact term, look for related words. For example, if you're trying to understand mortgage insurance, you'll find entries for "PMI (Private Mortgage Insurance)," "Mortgage Insurance Premium," and "FHA Loan" all cross-referenced to help you get the complete picture.

What Each Definition Includes

Every entry in this dictionary is designed to give you practical, usable information—not just a textbook definition. Here's what you'll find:

Plain-English Explanation: Each term is defined in clear, everyday language without confusing jargon or legal terminology.

Why It Matters: We explain how the term affects your mortgage, your monthly payment, or your overall home buying experience.

Real-World Examples: Where helpful, we provide practical examples showing how the term applies in actual mortgage scenarios.

Related Terms: Many entries point you to connected concepts, helping you build a complete understanding of how different mortgage components work together.

Special Features Throughout the Guide

Mortgage Myth vs. Fact boxes debunk common misconceptions and set the record straight on confusing topics.

Quick Tip boxes offer practical advice you can apply immediately to your home buying or refinancing process.

Did You Know? boxes share interesting insights about the mortgage industry, historical context, or surprising facts.

Utah Spotlight boxes highlight state-specific information relevant to Utah homebuyers, including local regulations, recording fees, and regional lending practices.

Making This Guide Work for You

Keep this dictionary accessible throughout your entire mortgage journey. Bring it to meetings with your loan officer, reference it when reviewing documents, and use it as a study guide before major milestones like your loan application or closing day. Consider marking or highlighting terms that are particularly relevant to your situation.

DID YOU KNOW?

The average mortgage document package contains over 50 pages and includes more than 100 industry-specific terms. Understanding just 20–30 key terms can dramatically improve your ability to navigate the process confidently and avoid costly mistakes.

A Acceleration Clause – Assumable Loan

Acceleration Clause

Definition: An acceleration clause is a provision in your mortgage contract that allows the lender to demand immediate payment of the entire remaining loan balance if you fail to meet the terms of your agreement—most commonly, if you miss multiple mortgage payments or fail to pay property taxes.

Why It Matters: This clause protects the lender but can have serious consequences for borrowers. If triggered, you could be required to pay off your entire mortgage immediately, which most homeowners cannot do. This often leads to foreclosure proceedings.

Example: Sarah missed three consecutive mortgage payments due to a job loss. Her lender invoked the acceleration clause, demanding she pay the full \$180,000 remaining balance within 30 days. Unable to pay, her home entered foreclosure.

Adjustable-Rate Mortgage (ARM)

Definition: An adjustable-rate mortgage is a home loan where the interest rate can change periodically based on market conditions. ARMs typically start with a lower “teaser” rate for a set period (such as 5, 7, or 10 years), then adjust annually based on a specific financial index.

Why It Matters: ARMs can offer lower initial payments than fixed-rate mortgages, making homeownership more affordable at first. However, when rates adjust upward, your monthly payment can increase significantly—sometimes by hundreds of dollars.

Example: Marcus got a 5/1 ARM with an initial rate of 3.5%. After five years, the rate adjusted to 5.25%, increasing his monthly payment from \$1,800 to \$2,150.

Additional Principal Payment

Definition: An additional principal payment is any extra money you pay toward your mortgage beyond your required monthly payment, applied directly to reducing your loan balance rather than interest.

Why It Matters: Making additional principal payments can save you thousands of dollars in interest over the life of your loan and help you pay off your mortgage years earlier. Even small extra payments add up over time.

Example: Jennifer pays an extra \$100 toward principal each month on her \$250,000 mortgage. Over the loan's life, she'll save approximately \$28,000 in interest and pay off her loan four years early.

A Continued

Amortization

Definition: Amortization is the process of gradually paying off your mortgage through regular monthly payments that cover both principal (the amount you borrowed) and interest. Early in the loan, most of your payment goes toward interest; later, more goes toward principal.

Why It Matters: Understanding amortization helps you see how your payments are applied and why building equity is slow at first. It also shows the long-term cost of your loan and the benefit of making extra payments.

Example: On a 30-year, \$300,000 mortgage at 4% interest, your first payment of \$1,432 includes \$432 toward principal and \$1,000 toward interest. By year 20, that same payment includes \$950 toward principal and only \$482 toward interest.

Annual Percentage Rate (APR)

Definition: The Annual Percentage Rate is the true yearly cost of your mortgage, expressed as a percentage. Unlike the interest rate, APR includes the interest rate plus other costs like origination fees, discount points, and mortgage insurance, giving you a complete picture of what you'll pay.

Why It Matters: APR allows you to accurately compare loan offers from different lenders. A loan with a lower interest rate might actually cost more if it has high fees—the APR reveals this.

Example: Lender A offers 4% interest with \$5,000 in fees (4.2% APR). Lender B offers 4.125% interest with \$1,000 in fees (4.18% APR). Despite the higher interest rate, Lender B's loan costs less overall.

Appraisal

Definition: An appraisal is a professional, unbiased estimate of your home's market value, conducted by a licensed appraiser who examines the property and compares it to recently sold homes in the area.

Why It Matters: Lenders require appraisals to ensure the home is worth at least as much as the loan amount. If the appraisal comes in lower than the purchase price, you may need to renegotiate, increase your down payment, or walk away from the deal.

Example: Tom agreed to buy a home for \$350,000, but the appraisal came back at \$330,000. His lender would only loan based on the appraised value, so Tom had to bring an extra \$20,000 to closing or renegotiate the price.

A Continued

Appreciation

Definition: Appreciation is the increase in your home's value over time due to market conditions, neighborhood improvements, property upgrades, or economic factors.

Why It Matters: Appreciation builds equity and wealth. When your home appreciates, you can sell for a profit, refinance to access equity, or simply enjoy increased net worth.

Example: Rachel bought her home for \$280,000 in 2020. By 2025, similar homes in her neighborhood were selling for \$340,000—her home appreciated by \$60,000, or about 21%.

Assets

Definition: Assets are anything of value that you own, including cash, savings accounts, retirement accounts, investments, vehicles, and real estate. Lenders review your assets during the mortgage approval process to verify you have funds for your down payment and closing costs.

Why It Matters: Strong assets demonstrate financial stability and your ability to handle mortgage payments, even during financial hardship. Lenders typically require proof that you have reserves (extra savings) beyond what's needed to close.

Example: When applying for a mortgage, David documented \$45,000 in savings, \$120,000 in his 401(k), and \$15,000 in stocks—total assets of \$180,000, which strengthened his loan application.

Assumable Loan

Definition: An assumable loan is a mortgage that can be transferred from the seller to the buyer, allowing the buyer to take over the existing loan terms, interest rate, and remaining balance instead of obtaining new financing.

Why It Matters: Assumable loans can be valuable when interest rates have risen. If the seller has a low rate, assuming their loan could save you significantly compared to getting a new mortgage at current higher rates.

Example: Karen is selling her home with an assumable VA loan at 3.25% interest. Current rates are 6.5%. The buyer assumes her loan, saving approximately \$400 per month compared to getting new financing.

MORTGAGE MYTH vs. FACT

Myth: APR and interest rate are the same thing.

Fact: APR includes your interest rate plus additional borrowing costs like origination fees, points, and mortgage insurance. The interest rate only reflects the cost of borrowing the principal. Always compare APRs—not just interest rates—when shopping for mortgages.

B Balloon Mortgage – Buydown

Balloon Mortgage

Definition: A balloon mortgage is a loan with low monthly payments for a set period (typically 5-7 years), followed by one large "balloon" payment of the entire remaining balance. Unlike traditional mortgages that fully amortize over 30 years, balloon loans require you to pay off or refinance the bulk of the loan all at once.

Why It Matters: Balloon mortgages can offer lower initial payments, but they carry significant risk. If you can't refinance or pay the balloon payment when it comes due, you could face foreclosure.

Example: Michael took out a \$200,000 balloon mortgage with payments based on a 30-year schedule but a 7-year balloon. After seven years of paying \$955 monthly, he owes a balloon payment of \$188,000.

Bankruptcy

Definition: Bankruptcy is a legal process that helps individuals eliminate or repay debts under federal court protection. The most common types are Chapter 7 (liquidation) and Chapter 13 (repayment plan over 3-5 years).

Why It Matters: Bankruptcy severely impacts your ability to get a mortgage. It remains on your credit report for 7-10 years and most lenders require a waiting period of 2-4 years after discharge before you can qualify.

Example: After a medical emergency, Lisa filed Chapter 7 bankruptcy discharged in 2022. She had to wait until 2026 to qualify for an FHA loan, and her interest rate was higher than borrowers with clean credit.

Borrower

Definition: A borrower is the person who receives a mortgage loan and is legally obligated to repay it. If multiple people sign the mortgage note, they are co-borrowers and share equal responsibility for repayment.

Why It Matters: As a borrower, you're personally liable for the debt. Your income, credit score, employment history, and debt-to-income ratio all determine whether you qualify and what rate you receive.

Example: James and his wife Maria are co-borrowers on their \$350,000 mortgage. Both incomes were used to qualify, and both are equally responsible. If they divorce, both remain obligated unless they refinance.

Bridge Loan

Definition: A bridge loan is a short-term loan (typically 6-12 months) that bridges the gap between buying a new home and selling your current one. It uses equity in your existing home as collateral for the down payment on your new home.

Why It Matters: Bridge loans solve timing problems but come with higher interest rates and fees. You'll carry two mortgages temporarily, which requires strong finances.

Example: Sarah took a \$75,000 bridge loan using her existing home equity for a down payment. When her old home sold four months later, she paid off the bridge loan with the proceeds.

Broker

Definition: A mortgage broker is a licensed professional who acts as an intermediary between borrowers and multiple lenders. Unlike loan officers who work for one bank, brokers shop your application to various lenders to find competitive rates.

Why It Matters: Brokers can save you time and money by comparing multiple loan options. However, their commission is built into your loan costs. Always compare broker offers with direct lender quotes.

Example: Carlos worked with a broker who submitted his application to eight lenders. The broker found him a rate 0.375% lower than his bank offered, saving \$127 per month.

Buydown

Definition: A buydown is when someone pays an upfront fee to temporarily or permanently reduce the mortgage interest rate. A temporary buydown lowers the rate for 1-3 years; a permanent buydown (buying points) reduces it for the entire loan term.

Why It Matters: Buydowns can make homes more affordable in high-rate environments. Temporary buydowns help you qualify with lower initial payments. Permanent buydowns save money long-term.

Example: The builder offered a 2-1 buydown on Taylor's mortgage. Her 5.5% rate was reduced to 3.5% the first year and 4.5% the second year, lowering initial payments by \$340 monthly.

C Cash-to-Close – Credit Score

Cash-to-Close

Definition: Cash-to-close is the total amount of money you need to bring to closing day. It includes your down payment, closing costs, prepaid items (like property taxes and insurance), minus any credits from the seller or lender.

Why It Matters: Many buyers focus only on the down payment and are surprised by the total cash needed. Your Closing Disclosure shows the exact cash-to-close amount three days before closing.

Example: Maria's down payment was \$15,000, but her cash-to-close was \$22,400 after adding closing costs (\$5,200) and prepaids (\$3,800), minus a \$1,600 seller credit.

Closing Costs

Definition: Closing costs are the fees and expenses you pay to finalize your mortgage, beyond the purchase price. They include lender fees, title insurance, appraisal, recording fees, attorney fees, and prepaid taxes and insurance.

Why It Matters: Closing costs typically range from 2-5% of the loan amount. On a \$350,000 loan, that's \$7,000-\$17,500. You can sometimes negotiate seller credits or lender credits to reduce out-of-pocket costs.

Example: Jake's closing costs on his \$300,000 mortgage totaled \$9,800: \$1,200 origination fee, \$550 appraisal, \$2,100 title insurance, \$4,200 prepaids, and \$1,750 in other fees.

Closing Disclosure

Definition: The Closing Disclosure is a five-page document your lender must provide at least three business days before closing. It details your final loan terms, monthly payment, closing costs, and cash-to-close amount.

Why It Matters: This is your last chance to catch errors before signing. Compare it to your Loan Estimate. If fees changed significantly or terms don't match, question them immediately.

Example: Lisa noticed her Closing Disclosure showed a \$1,200 fee that wasn't on her Loan Estimate. She asked her lender, who confirmed it was an error and corrected it before closing.

💡 DID YOU KNOW?

In Utah, closing costs average 2.5-3.5% of the loan amount. The largest single closing cost is usually title insurance, which protects you against ownership disputes. Utah uses title companies (not attorneys) to handle closings, which can save you money compared to attorney states.



D Debt-to-Income Ratio – Down Payment

Debt-to-Income Ratio (DTI)

Definition: Your debt-to-income ratio is the percentage of your gross monthly income that goes toward paying debts. Lenders calculate two versions: front-end (housing costs only) and back-end (all debts including housing).

Why It Matters: DTI is one of the most important factors in mortgage approval. Even with excellent credit, a high DTI can disqualify you. Most conventional loans require a back-end DTI below 43%.

Example: Mike earns \$8,000/month gross. His housing costs are \$2,000 and other debts total \$1,200. Front-end DTI: 25%. Back-end DTI: 40%. He qualifies for most conventional programs.

Deed of Trust

Definition: A deed of trust is a legal document that secures a mortgage loan by giving a neutral third party (the trustee) the right to sell the property if the borrower defaults. Utah uses deeds of trust instead of traditional mortgages.

Why It Matters: In Utah, deeds of trust allow non-judicial foreclosure, meaning the lender can foreclose without going to court. This makes the process faster (about 4 months) compared to judicial foreclosure states (12+ months).

Example: When Amy closed on her home in Provo, she signed a deed of trust naming a local title company as trustee. The title company holds legal authority to sell the property if Amy defaults on her loan.

Discount Points

Definition: Discount points are upfront fees paid to the lender at closing to reduce your interest rate. One point equals 1% of the loan amount and typically lowers your rate by 0.25%.

Why It Matters: Buying points makes sense if you plan to stay in the home long enough to recoup the upfront cost through lower monthly payments. The "break-even" period is typically 4-7 years.

Example: On a \$400,000 loan, one point costs \$4,000 and lowers the rate from 6.5% to 6.25%. That saves \$65/month. Break-even: 62 months (about 5 years). If you stay 10 years, you save \$3,800 net.

Down Payment

Definition: The down payment is the portion of the home's purchase price you pay upfront in cash. The remainder is financed through your mortgage loan.

Why It Matters: A larger down payment means a smaller loan, lower monthly payments, and no PMI requirement at 20%+. However, many programs allow 3-3.5% down, and VA/USDA offer zero down.

Example: On a \$400,000 home: 3% down = \$12,000, 10% down = \$40,000, 20% down = \$80,000. At 20%, you avoid PMI and save approximately \$150-\$250/month.



MORTGAGE TIP

Utah offers several down payment assistance programs through the Utah Housing Corporation. First-time buyers may qualify for grants or second mortgages that cover part or all of the down payment. Ask your lender about UHC programs.

E Earnest Money – Escrow

Earnest Money

Definition: A deposit made to a seller showing the buyer's good faith intention to complete the purchase. It's held in a trust account until closing.

Why It Matters: In Utah's competitive market, a larger earnest money deposit (1-3% of purchase price) signals you're serious. If you back out without a valid contingency, you may lose this money.

Example: Tom offered \$450,000 with \$9,000 earnest money (2%). It was held by the title company and applied toward his down payment at closing.

Equity

Definition: The difference between your home's current market value and what you still owe on your mortgage. Equity is your ownership stake in the property.

Why It Matters: Equity is your wealth. It grows as you pay down your loan and as your home appreciates. You can borrow against it (HELOC) or cash it out when you sell.

Example: Your home is worth \$500,000 and you owe \$320,000. Your equity is \$180,000 (36% of the home's value).

Escrow

Definition: An account managed by your lender that collects a portion of each monthly payment to cover property taxes and homeowners insurance when they come due.

Why It Matters: Escrow prevents you from facing large lump-sum tax and insurance bills. Your lender requires it to protect their investment. Your escrow payment is reviewed annually and may increase.

Example: Rachel's annual property tax is \$3,600 and insurance is \$1,800. Her escrow collects \$450/month ($\$5,400 \div 12$) on top of her principal and interest payment.

MORTGAGE MYTH VS. FACT

Myth: "Escrow is just the lender holding my money hostage."

Fact: Escrow protects you from missing tax or insurance payments, which could result in tax liens or lapsed coverage. It's a forced savings account that keeps your home protected.

F Fair Market Value – Fixed-Rate Mortgage

Fair Market Value

Definition: The price a property would sell for on the open market between a willing buyer and seller, with both having reasonable knowledge of the relevant facts.

Why It Matters: Appraisers determine fair market value to ensure the lender isn't lending more than the home is worth. If the appraisal comes in below your offer price, you'll need to renegotiate or bring extra cash.

Fixed-Rate Mortgage

Definition: A mortgage with an interest rate that stays the same for the entire loan term. Your principal and interest payment never changes, though escrow amounts may adjust.

Why It Matters: Fixed rates provide payment predictability. In a rising rate environment, you're protected. The tradeoff is that fixed rates are typically higher than initial ARM rates.

Example: David locked a 30-year fixed rate at 6.25%. Whether rates rise to 8% or drop to 4%, his payment stays at \$2,157/month for the full 30 years.

G Good Faith Estimate – Guarantee Fee

Good Faith Estimate (GFE)

Definition: A document formerly used to disclose estimated closing costs to borrowers. Replaced by the Loan Estimate in 2015 under TRID regulations, but the term is still commonly used.

Why It Matters: If someone refers to a "GFE," they likely mean the Loan Estimate. Both serve the same purpose: helping you compare costs between lenders before committing.

Example: When Carlos asked his lender for a "Good Faith Estimate," the loan officer provided a Loan Estimate—the updated version with clearer formatting and legal protections.

Guarantee Fee (Funding Fee)

Definition: A one-time fee charged on government-backed loans (VA, USDA) that funds the loan guarantee program. It can be paid upfront or rolled into the loan balance.

Why It Matters: VA funding fees range from 1.25-3.3% of the loan amount depending on down payment and usage. USDA guarantee fees are 1% upfront plus 0.35% annually. These replace traditional mortgage insurance.

Example: Sergeant Williams used his VA benefit with zero down on a \$380,000 home. His funding fee was 2.15% (\$8,170), which he financed into the loan for a total balance of \$388,170.

H HELOC – Homeowners Insurance

HELOC (Home Equity Line of Credit)

Definition: A revolving line of credit secured by your home's equity. Works like a credit card: you borrow what you need during a draw period, pay interest only on what you use, then repay during the repayment period.

Why It Matters: HELOCs offer flexible access to your equity for renovations, emergencies, or debt consolidation. But rates are variable, and your home is collateral—if you can't repay, you could lose your home.

Example: The Johnsons have \$180,000 in equity. They opened a \$75,000 HELOC at prime + 1% to fund a kitchen remodel. They drew \$45,000 and pay interest only on that amount during the 10-year draw period.

Homeowners Insurance

Definition: Insurance that protects your home and belongings against damage, theft, and liability. Required by all mortgage lenders and typically paid through your escrow account.

Why It Matters: Your lender requires coverage at minimum equal to the loan balance. Shop around—premiums vary significantly. In Utah, average annual premiums range from \$800-\$1,500 depending on location and



MORTGAGE TIP

Bundle your homeowners insurance with auto insurance for a 10-20% discount. Also ask about raising your deductible from \$1,000 to \$2,500—it can lower your annual premium by \$200-\$400 while still protecting against major losses.

Interest Rate – Loan-to-Value Ratio

Interest Rate

Definition: The percentage charged by the lender for borrowing money, expressed as an annual rate. This is the base cost of your loan before fees.

Why It Matters: Even a 0.25% difference in rate can cost or save you tens of thousands over 30 years. Always compare rates from multiple lenders on the same day.

Example: On a \$400,000 loan, 6.5% vs. 6.75% = \$67/month difference = \$24,120 over 30 years.

Jumbo Loan

Definition: A mortgage that exceeds the conforming loan limit set by the Federal Housing Finance Agency. In most Utah counties, the 2024 limit is \$766,550.

Why It Matters: Jumbo loans typically require higher credit scores (700+), larger down payments (10-20%), and carry slightly higher rates because they can't be sold to Fannie Mae or Freddie Mac.

Example: The Petersons are buying a \$900,000 home in Park City with 20% down. Their \$720,000 loan is a jumbo, requiring a 720 credit score and 12 months of reserves.

Loan Estimate – Loan-to-Value Ratio

Loan Estimate

Definition: A standardized three-page document your lender must provide within three business days of receiving your application. It details your estimated interest rate, monthly payment, and closing costs.

Why It Matters: Use Loan Estimates to compare offers from different lenders. The format is identical across all lenders, making apples-to-apples comparison easy. Some fees are locked and cannot increase at closing.

Loan-to-Value Ratio (LTV)

Definition: The ratio of your loan amount to the appraised value of the property, expressed as a percentage.

$LTV = \text{Loan Amount} \div \text{Appraised Value} \times 100$.

Why It Matters: LTV determines whether you need mortgage insurance (above 80% LTV), what programs you qualify for, and your interest rate. Lower LTV = less risk = better terms.

Example: Home value: \$450,000. Loan: \$405,000. LTV = 90%. PMI required. After 2 years of payments and appreciation, the home is worth \$490,000 and the loan is \$390,000. New LTV = 79.6%. PMI can be removed.

DID YOU KNOW?

You can get multiple Loan Estimates within a 14-day window without additional credit score impact. The credit bureaus treat all mortgage inquiries in that period as a single inquiry. Shop at least 3 lenders!

M Mortgage Insurance – Origination Fee

Mortgage Insurance (PMI / MIP)

Definition: Insurance that protects the lender (not you) if you default on your loan. Required on conventional loans with less than 20% down (PMI) and all FHA loans (MIP).

Why It Matters: PMI adds \$100-\$300/month on a typical Utah mortgage. Unlike FHA's MIP (which lasts the life of the loan with less than 10% down), conventional PMI can be removed at 20% equity.

Example: Jen put 5% down on a \$380,000 home. Her PMI is \$185/month. After 4 years of payments and appreciation, she reached 20% equity and requested PMI removal, saving \$2,220/year.

Mortgage Note (Promissory Note)

Definition: The legal document you sign promising to repay the loan. It specifies the loan amount, interest rate, payment schedule, and consequences of default.

Why It Matters: The note is your personal promise to pay. Even if you sell the home, you remain liable unless the note is satisfied. Read every line before signing.

O Origination Fee

Origination Fee

Definition: A fee charged by the lender for processing and underwriting your loan application. Typically 0.5-1% of the loan amount.

Why It Matters: This is one of the largest lender fees and is negotiable. Some lenders advertise "no origination fee" but compensate with a higher interest rate. Compare the total cost, not just the fee.

Example: On a \$400,000 loan, a 1% origination fee is \$4,000. Lender A charges \$4,000 at 6.5%. Lender B charges \$0 at 6.75%. Over 30 years, Lender A saves you \$20,000+ despite the upfront fee.

MORTGAGE TIP

Always ask lenders for a side-by-side comparison: one option with points/origination fees and one without. Calculate your break-even point. If you plan to sell or refinance within 3-4 years, the no-fee option often wins.



P PITI – Refinance

PITI

Definition: Stands for Principal, Interest, Taxes, and Insurance—the four components of your total monthly mortgage payment.

Why It Matters: When a lender quotes your "monthly payment," make sure it includes all four components. Some quotes show only principal and interest, making the payment look lower than reality.

Example: Ben's full PITI: Principal & Interest \$1,850 + Property Taxes \$350 + Insurance \$125 + PMI \$145 = \$2,470/month total.

Pre-Approval

Definition: A lender's written commitment to lend you a specific amount based on verified income, assets, credit, and employment. Requires a full application and credit pull.

Why It Matters: A pre-approval letter tells sellers you're a qualified buyer. In competitive markets, offers without pre-approval are often rejected outright.

Example: Sarah got pre-approved for \$425,000. When she offered on a home the same day it listed, her pre-approval letter helped her beat three other offers.

Principal

Definition: The amount of money you borrowed, not including interest. Each monthly payment reduces your principal balance, building equity.

Why It Matters: In early years, most of your payment goes to interest. On a 30-year loan, it takes about 13 years before more than half your payment goes to principal.

R Rate Lock – Refinance

Rate Lock

Definition: A lender's guarantee that your interest rate won't change for a specified period (typically 30-60 days) while your loan is processed.

Why It Matters: Rates can change daily. A rate lock protects you from increases. If your lock expires before closing, you may need to pay for an extension or accept a higher rate.

Refinance

Definition: Replacing your existing mortgage with a new one, typically to get a lower rate, change the loan term, switch from ARM to fixed, or cash out equity.

Why It Matters: Refinancing has closing costs (typically \$3,000-\$8,000). Calculate your break-even point: if monthly savings are \$200 and costs are \$4,000, you break even in 20 months.

Example: The Garcias refinanced from 7.25% to 6.0%, saving \$310/month. With \$5,500 in closing costs, they broke even in 18 months and will save \$31,700 over the remaining loan term.



MORTGAGE TIP

The general rule: refinancing makes sense when you can lower your rate by at least 0.5-0.75% AND you plan to stay in the home long enough to recoup closing costs. Don't restart a 30-year clock without doing the math.

S Seller Concessions – Title Insurance

Seller Concessions

Definition: Credits the seller agrees to pay toward your closing costs, prepaids, or other expenses. Negotiated as part of the purchase contract.

Why It Matters: Concessions reduce your cash-to-close without lowering the purchase price. Limits apply: conventional loans allow 3-9% depending on down payment; FHA allows 6%; VA allows 4%.

Example: Alex offered \$420,000 with a 3% seller concession (\$12,600). The seller nets \$407,400, and Alex uses the credit to cover closing costs instead of paying out of pocket.

Survey

Definition: A professional measurement and mapping of a property's boundaries, structures, and easements. Shows exactly where your property begins and ends.

Why It Matters: A survey reveals encroachments, easements, or boundary disputes before you buy. In Utah, surveys cost \$350-\$800 and are sometimes required by the lender or title company.

T Title – Title Insurance

Title

Definition: Legal ownership of a property. Having "clear title" means no one else has a legal claim, lien, or encumbrance against the property.

Why It Matters: A title search uncovers liens, unpaid taxes, or ownership disputes before closing. If title issues are found, they must be resolved before the sale can proceed.

Title Insurance

Definition: A one-time insurance policy that protects against financial loss from defects in title, such as undisclosed liens, forgery, or recording errors. Two types: lender's policy (required) and owner's policy (optional but recommended).

Why It Matters: Unlike other insurance you pay monthly, title insurance is a one-time premium at closing. In Utah, title insurance rates are set by the state and are the same regardless of which title company you use.

Example: Five years after closing, a contractor filed a mechanic's lien claiming the previous owner never paid for roof work. The title insurance company defended the claim and paid the \$8,500 settlement.

MORTGAGE MYTH VS. FACT

Myth: "I don't need owner's title insurance because the lender already requires a policy."

Fact: The lender's policy only protects the lender. Without an owner's policy, YOU pay out of pocket if a title defect surfaces. It's a one-time cost that protects your entire investment.

U Underwriting – Zoning

Underwriting

Definition: The process where a lender evaluates your financial profile—credit, income, assets, employment, and the property itself—to determine whether to approve your loan.

Why It Matters: The underwriter is the final decision-maker. They can approve, deny, or approve with conditions. Respond to condition requests within 24 hours to avoid delays.

Example: The underwriter approved Kevin's loan with conditions: provide a letter explaining a \$12,000 deposit and updated pay stubs. Kevin responded same-day and received clear-to-close within 48 hours.

USDA Loan

Definition: A zero-down-payment mortgage backed by the U.S. Department of Agriculture for homes in eligible rural and suburban areas. Income limits apply.

Why It Matters: Many Utah communities outside the Wasatch Front qualify for USDA loans. Zero down payment and competitive rates make this an excellent option for moderate-income buyers in eligible areas.

Example: The Hendersons bought a home in Cedar City with zero down using a USDA loan. Their guarantee fee of 1% (\$3,200) was financed into the loan, and their annual fee is just 0.35%.

V VA Loan

VA Loan

Definition: A mortgage guaranteed by the Department of Veterans Affairs for eligible service members, veterans, and surviving spouses. Offers zero down payment and no monthly mortgage insurance.

Why It Matters: VA loans are one of the best mortgage products available. No PMI, no down payment, competitive rates, and limited closing costs. Utah has a large veteran population who can benefit.

Z Zoning

Zoning

Definition: Local government regulations that dictate how property in specific areas can be used—residential, commercial, agricultural, or mixed-use.

Why It Matters: Zoning affects what you can do with your property (run a business, build an ADU, add a mother-in-law suite). Check zoning before buying if you have specific plans for the property.

Example: The Nguyens wanted to convert their garage into a rental unit. They checked with Salt Lake City zoning and confirmed their neighborhood allows accessory dwelling units (ADUs) with a permit.

MORTGAGE TIP

Before buying, check the USDA eligibility map at eligibility.sc.egov.usda.gov. Many Utah towns you wouldn't consider "rural" still qualify—including parts of Tooele, Eagle Mountain, Saratoga Springs, and most of southern Utah.

Mortgage Myths vs. Facts

Don't let common misconceptions cost you money or delay your homeownership goals. Here are ten myths we hear most often—and the truth behind each one.

1 Myth: "You need a 20% down payment to buy a home."

Fact: Many programs require far less. FHA loans accept 3.5% down, conventional loans offer 3% options, and VA loans require zero down for eligible veterans. First-time buyer programs in Utah offer additional down payment assistance.

2 Myth: "You must have perfect credit to get a mortgage."

Fact: While higher scores get better rates, you don't need perfect credit. FHA loans accept scores as low as 580 with 3.5% down. Some lenders work with scores in the 500s with larger down payments.

3 Myth: "Pre-qualification and pre-approval are the same thing."

Fact: Pre-qualification is an informal estimate based on self-reported information. Pre-approval involves a full credit check, income verification, and document review—it carries far more weight with sellers.

4 Myth: "You should always choose the lowest interest rate."

Fact: The lowest rate isn't always the best deal. A loan with a lower rate but high fees can cost more overall. Compare APRs and total loan costs, not just the interest rate.

5 Myth: "Fixed-rate mortgages are always better than adjustable-rate mortgages."

Fact: ARMs can save money if you plan to sell or refinance within the initial fixed period. A 5/1 ARM at 5.5% costs less than a 30-year fixed at 6.5% if you move within five years.

6 Myth: "You can't buy a home after bankruptcy or foreclosure."

Fact: You can—but there's a waiting period. After Chapter 7 bankruptcy, you may qualify for an FHA loan in two years. After foreclosure, the wait is typically three to seven years depending on loan type.

7 Myth: "Your mortgage payment is just principal and interest."

Fact: Most payments also include property taxes, homeowners insurance, and possibly mortgage insurance (PITI). These additional costs can add \$300-\$800+ to your monthly payment.

8 Myth: "Paying off your mortgage early always saves money."

Fact: Check for prepayment penalties first. Also consider whether extra payments toward high-interest debt or retirement savings might provide a better return than paying down a low-rate mortgage.

9 Myth: "The listing price is what you'll pay for the home."

Fact: The purchase price is just the beginning. Add closing costs (2-5% of the loan), inspections, appraisals, moving expenses, and immediate repairs. Budget 5-8% above the purchase price for total costs.

10 Myth: "Once you're approved, your loan is guaranteed."

Fact: Approval is conditional. Lenders re-verify your finances before closing. Taking on new debt, changing jobs, or making large deposits without documentation can cause your loan to fall through at the last minute.

Quick Tips Every Homebuyer Should Know

Twenty practical tips to help you navigate the mortgage process with confidence, save money, and avoid common pitfalls.

BEFORE YOU APPLY

1. Check your credit report for errors at least 6 months before applying. Disputes take time to resolve.
2. Pay down credit card balances below 30% of their limits to boost your score quickly.
3. Avoid opening new credit accounts or making large purchases in the months before applying.
4. Save bank statements showing consistent deposits. Lenders want a clear paper trail for your down payment funds.
5. Get pre-approved, not just pre-qualified. Pre-approval carries real weight with sellers.

SHOPPING FOR A LOAN

6. Compare at least three lenders. Rates and fees vary more than most buyers realize.
7. Look at the APR, not just the interest rate. APR includes fees and shows the true cost of borrowing.
8. Ask about lender credits. A slightly higher rate with credits toward closing costs can save you money upfront.
9. Lock your rate in writing. Verbal quotes mean nothing if rates rise before closing.
10. Don't assume your bank will give you the best deal. Credit unions and brokers are often more competitive.

DURING THE PROCESS

11. Respond to lender requests immediately. Delays on your end can push back closing and jeopardize your rate lock.
12. Don't change jobs, deposit large sums, or co-sign other loans between approval and closing.
13. Read your Closing Disclosure carefully and compare it to your Loan Estimate. Question any differences.
14. Schedule your home inspection early. If issues arise, you need time to negotiate or walk away.
15. Keep copies of every document you sign. Create a dedicated folder for your mortgage paperwork.

AFTER YOU CLOSE

16. Set up autopay for your mortgage to avoid missed payments and protect your credit.
17. Review your escrow analysis annually. Property tax increases can raise your payment unexpectedly.
18. Make one extra payment per year to shave years off your loan and save thousands in interest.
19. Keep your homeowners insurance current and review coverage annually as home values change.
20. Build an emergency fund covering 3-6 months of housing costs before making extra principal payments.

Understanding Your Credit Score

Your credit score is one of the most powerful numbers in the mortgage process. It determines whether you qualify, what interest rate you receive, and how much you pay each month. Understanding how it works puts you in control.

What Is a Credit Score?

A credit score is a three-digit number (300-850) that represents your creditworthiness. FICO scores, used by most mortgage lenders, are calculated from five factors: payment history (35%), amounts owed (30%), length of credit history (15%), new credit (10%), and credit mix (10%). The higher your score, the less risk you represent to lenders.

How Your Score Affects Mortgage Approval

Lenders use minimum score thresholds to determine eligibility. Below these minimums, your application is denied regardless of income or savings. Above them, your score influences your rate, loan options, and required down payment. A higher score opens doors to better programs with lower costs.

The Real Cost of Your Credit Score

On a \$350,000 mortgage, the difference between a 640 and 760 credit score can mean 1.0-1.5% higher interest. That translates to \$200-\$300 more per month and \$72,000-\$108,000 more over 30 years. Your credit score is literally worth tens of thousands of dollars.

Credit Score Ranges and What They Mean for Borrowers

| SCORE RANGE | RATING | LOAN OPTIONS | RATE IMPACT | MONTHLY COST* |
|-------------|-----------|-----------------------------|------------------|---------------|
| 760-850 | Excellent | All programs, best terms | Lowest available | \$1,799/mo |
| 700-759 | Good | All programs, competitive | +0.25-0.5% | \$1,848/mo |
| 660-699 | Fair | Most programs available | +0.5-1.0% | \$1,950/mo |
| 620-659 | Below Avg | Conventional (limited), FHA | +1.0-1.5% | \$2,047/mo |
| 580-619 | Poor | FHA only (3.5% down) | +1.5-2.0% | \$2,148/mo |
| Below 580 | Very Poor | FHA (10% down) or denied | +2.0%+ or denied | \$2,250+/mo |

*Based on a \$350,000 30-year fixed mortgage. Rates are illustrative and vary by lender and market conditions.

How to Improve Your Score Before Applying

- Pay all bills on time. Even one 30-day late payment can drop your score 60-100 points.
- Reduce credit card balances below 30% of limits. Below 10% is ideal for maximum score impact.
- Don't close old accounts. Length of credit history matters. Keep older cards open even if unused.
- Avoid new credit applications in the 6 months before your mortgage application.
- Dispute errors on your credit report. Incorrect late payments or wrong balances can be removed.
- Become an authorized user on a family member's long-standing, low-balance credit card.

KEY TAKEAWAY

Start working on your credit score at least 6-12 months before you plan to buy. Small improvements can save you tens of thousands over the life of your loan. Check your free reports at [AnnualCreditReport.com](https://www.annualcreditreport.com).

Understanding Debt-to-Income Ratio

Your debt-to-income ratio (DTI) measures how much of your monthly income goes toward debt payments. Lenders use it to determine whether you can comfortably afford a mortgage. There are two types: front-end and back-end.

Front-End DTI (Housing Ratio)

Front-end DTI measures only your housing costs as a percentage of gross monthly income. Housing costs include your mortgage principal, interest, property taxes, and homeowners insurance (PITI), plus any HOA fees or mortgage insurance.

$$\text{Front-End DTI} = \frac{\text{Total Monthly Housing Costs}}{\text{Gross Monthly Income}} \times 100$$

Guideline: Most lenders prefer a front-end DTI of 28% or lower. FHA allows up to 31%.

Back-End DTI (Total Debt Ratio)

Back-end DTI includes all monthly debt obligations: housing costs plus car payments, student loans, credit card minimums, personal loans, child support, and any other recurring debt payments.

$$\text{Back-End DTI} = \frac{(\text{Housing Costs} + \text{All Other Debts})}{\text{Gross Monthly Income}} \times 100$$

Guideline: Conventional loans typically require 36-43%. FHA allows up to 43%, sometimes 50% with compensating factors.

Sample Calculation

Meet Sarah. She earns \$7,500 gross monthly income and is applying for a mortgage.

| MONTHLY OBLIGATION | AMOUNT |
|----------------------------|----------------|
| Proposed mortgage (PITI) | \$1,850 |
| Car payment | \$425 |
| Student loans | \$280 |
| Credit card minimums | \$145 |
| Personal loan | \$200 |
| Total Monthly Debts | \$2,900 |

Front-End DTI: $\$1,850 \div \$7,500 \times 100 = 24.7\%$ ✓ Well within the 28% guideline

Back-End DTI: $\$2,900 \div \$7,500 \times 100 = 38.7\%$ ✓ Meets the 43% conventional limit

Practical Example: How DTI Limits Your Buying Power

If Sarah's car payment were \$700 instead of \$425, her back-end DTI would jump to 42.3%—barely qualifying. And if she also had \$300 in additional credit card debt, her DTI would hit 46.3%, disqualifying her for conventional loans entirely. She'd need to pay down debts or increase income before applying.

How to Lower Your DTI Before Applying

- Pay off small debts completely to eliminate monthly minimums from your ratio.
- Avoid taking on new debt (car loans, furniture financing) in the months before applying.
- Increase income through raises, side work, or adding a co-borrower to the application.
- Pay down credit card balances—even reducing minimums by \$100 can shift your DTI.
- Consider a less expensive home to keep your housing ratio within guidelines.

KEY TAKEAWAY

Lenders use gross income to calculate DTI, but you pay bills with net income. A 43% DTI on gross income may feel like 55%+ of your take-home pay. Always budget using your actual paycheck, not the maximum a lender approves.

Mortgage Process Timeline

From first conversation to keys in hand, the mortgage process typically takes 30-45 days after you go under contract. Here is every stage explained in plain English so you know exactly what to expect.

- 1 Pre-Approval (1-3 Days)**

You submit a full application with pay stubs, tax returns, bank statements, and ID. The lender pulls your credit, verifies income, and issues a pre-approval letter stating how much you can borrow. This letter shows sellers you are a serious, qualified buyer.
- 2 House Hunting & Offer (Varies)**

With pre-approval in hand, you shop for homes within your budget. When you find the right one, your agent submits a purchase offer. Once the seller accepts, you are officially under contract and the clock starts.
- 3 Loan Application & Disclosure (Days 1-3)**

Your lender prepares the official loan file and sends you a Loan Estimate within three business days. This document details your interest rate, monthly payment, closing costs, and loan terms. Review it carefully and ask questions.
- 4 Home Inspection (Days 3-10)**

A licensed inspector examines the property for structural, electrical, plumbing, and safety issues. You receive a detailed report and can negotiate repairs, request a price reduction, or walk away if problems are serious.
- 5 Appraisal (Days 7-14)**

The lender orders an independent appraisal to confirm the home is worth the purchase price. If the appraisal comes in low, you may need to renegotiate the price, bring extra cash, or challenge the appraisal with comparable sales data.
- 6 Processing & Underwriting (Days 14-30)**

The underwriter reviews everything: your credit, income, employment, assets, the appraisal, title search, and insurance. They may request additional documents. Respond immediately to avoid delays. This is where loans are approved, denied, or approved with conditions.
- 7 Conditional Approval & Clearing Conditions (Days 25-35)**

If approved with conditions, you must satisfy each one. Common conditions include a letter explaining a large deposit, updated pay stubs, or proof of insurance. Once all conditions are cleared, you receive final approval (clear to close).
- 8 Closing Disclosure (3 Days Before Closing)**

You receive the Closing Disclosure at least three business days before closing. Compare it line-by-line with your original Loan Estimate. Verify your rate, payment, and closing costs match what you were promised. Flag discrepancies immediately.
- 9 Final Walkthrough (Day Before or Day of Closing)**

You walk through the property one last time to confirm agreed-upon repairs were completed, no new damage occurred, and the home is in the expected condition. If something is wrong, address it before you sign.
- 10 Closing Day (Day 30-45)**

You sign the final documents, pay closing costs, and the title transfers to your name. In Utah, closings typically happen at the title company. Bring a valid photo ID and a cashier's check or wire transfer for your funds. Once recorded with the county, you get the keys.

KEY TAKEAWAY

The fastest way to close on time is to respond to every lender request within 24 hours. Have your documents organized before you start, avoid financial changes during the process, and communicate openly with your loan officer about anything unusual.

Protect Yourself from Mortgage Fraud

Mortgage fraud costs consumers millions every year. Criminals target homebuyers because large sums of money change hands quickly and buyers are often unfamiliar with the process. Knowing the most common scams helps you protect your money and your identity.

Wire Fraud

Wire fraud is the most dangerous scam in real estate today. Criminals hack into email accounts of real estate agents, lenders, or title companies and send fake wiring instructions that look legitimate. They time the email to arrive just before closing when you expect to wire your down payment and closing costs. Once you send money to the wrong account, it is almost always gone within minutes.

How it works: You receive an email that appears to come from your title company with updated wiring instructions. The email address may differ by one character. You wire \$35,000 to the fraudulent account. By the time anyone realizes the error, the money has been transferred overseas.

Identity Theft

Criminals steal your personal information to apply for mortgages in your name or redirect your existing loan proceeds. They may use stolen Social Security numbers, forged documents, and fake IDs. You may not discover the fraud until collections notices arrive or your credit report shows accounts you never opened.

Phishing Scams

Phishing emails and texts impersonate your lender, title company, or real estate agent. They ask you to click a link to "verify your account," "update your application," or "confirm closing details." These links lead to fake websites designed to steal your login credentials, Social Security number, or bank account information.

Title Fraud

Title fraud occurs when someone forges ownership documents to transfer your property title to themselves, then takes out loans against it or sells it without your knowledge. Vacant properties, second homes, and properties owned by elderly homeowners are common targets. Title insurance protects against this, but prevention is better than recovery.

How to Verify Instructions Before Sending Funds

- Never trust wiring instructions sent by email alone. Always call your title company using a phone number you obtained independently (from their website or your original paperwork), not a number in the email.
- Verify any changes to closing instructions verbally with your loan officer and title officer before acting.
- Confirm the recipient name, bank name, and account number match what you were given at the start of the process.
- Be suspicious of any last-minute changes to wiring instructions, especially those marked "urgent" or "updated."
- If you wire funds and suspect fraud, contact your bank immediately. You have a narrow window (often under 24 hours) to attempt a recall.

Additional Ways to Protect Yourself

- Freeze your credit with all three bureaus when not actively applying for loans.
- Use strong, unique passwords for email accounts involved in your transaction.
- Enable two-factor authentication on all financial and email accounts.
- Monitor your credit report regularly for unauthorized inquiries or new accounts.
- Sign up for property title alerts through your county recorder's office.
- Never share your Social Security number, bank details, or documents over unsecured email.

WARNING

If anyone pressures you to wire money immediately or says instructions have changed at the last minute, STOP. Call your title company and loan officer directly using verified phone numbers. Legitimate professionals will never rush you into sending funds without proper verification.

Frequently Asked Questions

Answers to the twenty most common questions consumers ask about mortgage terminology, the loan process, and homebuying costs.

1. What is the difference between pre-qualification and pre-approval?

Pre-qualification is an informal estimate based on self-reported information. Pre-approval involves verified documents, a credit check, and a formal commitment from the lender. Sellers take pre-approval much more seriously.

2. How much do I need for a down payment?

It depends on the loan type. Conventional loans require as little as 3%, FHA requires 3.5%, and VA and USDA loans offer zero-down options. A 20% down payment eliminates mortgage insurance but is not required.

3. What is PMI and how do I get rid of it?

Private Mortgage Insurance protects the lender if you default. It is required on conventional loans with less than 20% down. You can request removal once you reach 20% equity, and it automatically cancels at 22%.

4. What does APR mean and why is it different from my interest rate?

APR (Annual Percentage Rate) includes your interest rate plus lender fees, points, and mortgage insurance. It represents the true annual cost of borrowing and is always higher than the base interest rate.

5. What are closing costs and how much should I expect?

Closing costs are fees paid at settlement including appraisal, title insurance, attorney fees, recording fees, and prepaid taxes/insurance. Expect 2-5% of the loan amount. On a \$350,000 loan, that is \$7,000-\$17,500.

6. What is escrow and why does my lender require it?

Escrow is an account your lender uses to collect and pay property taxes and insurance on your behalf. A portion of each monthly payment goes into escrow so these bills are paid on time, protecting both you and the lender.

7. What is the difference between a fixed-rate and adjustable-rate mortgage?

A fixed-rate mortgage keeps the same interest rate for the entire loan term. An adjustable-rate mortgage (ARM) has a lower initial rate that changes after a set period based on market conditions.

8. How does my credit score affect my mortgage rate?

Higher scores get lower rates. A 760+ score qualifies for the best rates, while a 620 score may pay 1-1.5% more. On a \$350,000 loan, that difference costs \$200-\$300 extra per month.

9. What is debt-to-income ratio and what should mine be?

DTI is your total monthly debt payments divided by gross monthly income. Most lenders want your housing costs below 28% (front-end) and total debts below 43% (back-end) of gross income.

10. What is an appraisal and what happens if it comes in low?

An appraisal is an independent assessment of the home's market value. If it comes in below the purchase price, you can renegotiate with the seller, pay the difference in cash, challenge the appraisal, or walk away.

11. What is title insurance and do I really need it?

Title insurance protects against ownership disputes, liens, or errors in public records. Your lender requires a lender's policy. An owner's policy is optional but strongly recommended to protect your investment.

12. Can I buy a home with student loan debt?

Yes. Lenders include student loan payments in your DTI calculation, but having student debt does not disqualify you. Paying down balances or using income-driven repayment plans can improve your DTI.

13. What does it mean to lock my interest rate?

A rate lock guarantees your interest rate for a set period (typically 30-60 days) while your loan is processed. If rates rise during that time, yours stays the same. Get the lock in writing.

14. What is the difference between a Loan Estimate and Closing Disclosure?

The Loan Estimate is provided within three days of application and shows projected costs. The Closing Disclosure is provided three days before closing and shows final costs. Compare them carefully for discrepancies.

15. What are points and should I buy them?

Points are upfront fees paid to lower your interest rate. One point equals 1% of the loan amount. Buying points makes sense if you plan to stay in the home long enough to recoup the upfront cost through lower payments.

16. How long does the mortgage process take?

Typically 30-45 days from contract to closing. Complex situations, appraisal issues, or slow document responses can extend this. Respond to lender requests within 24 hours to stay on track.

17. What is a contingency in a purchase contract?

A contingency is a condition that must be met for the sale to proceed. Common contingencies include financing, inspection, and appraisal. They protect you from losing your earnest money if something goes wrong.

18. What happens if I miss a mortgage payment?

Most loans have a 15-day grace period before a late fee applies. After 30 days, it is reported to credit bureaus. After 90-120 days, foreclosure proceedings may begin. Contact your lender immediately if you cannot pay.

19. What is a HELOC and when should I consider one?

A Home Equity Line of Credit lets you borrow against your equity like a credit card. Consider one for home improvements or major expenses after you have built significant equity. Rates are variable and your home is collateral.

20. Should I pay off my mortgage early?

Glossary Quick Reference

A condensed one-line reference for every term in this guide. See the full dictionary entries for detailed explanations, examples, and tips.

Acceleration Clause – Lets lender demand full repayment if you violate loan terms

Amortization – Paying off your loan through scheduled monthly payments over time

APR – Annual Percentage Rate; true cost of borrowing including fees

Appraisal – Professional estimate of a property's market value

ARM – Adjustable-Rate Mortgage; rate changes after initial fixed period

Assumable Loan – Mortgage a buyer can take over from the seller

Balloon Mortgage – Low payments with a large lump sum due at the end

Buydown – Paying upfront to temporarily or permanently reduce your rate

Cash-to-Close – Total money you need to bring to the closing table

Clear to Close – Final loan approval; you're ready to sign

Closing Costs – Fees paid at closing (2-5% of purchase price)

Closing Disclosure – Final 5-page document with exact loan terms and costs

Conventional Loan – Mortgage not backed by a government agency

Credit Score – Three-digit number (300-850) measuring creditworthiness

Debt-to-Income (DTI) – Monthly debts divided by gross monthly income

Deed of Trust – Document securing the lender's interest in your property

Down Payment – Cash you pay upfront toward the purchase price

Earnest Money – Good-faith deposit showing you're serious about buying

Equity – Home value minus what you owe on the mortgage

Escrow – Account holding funds for taxes and insurance payments

FHA Loan – Government-backed loan with 3.5% minimum down payment

Fixed-Rate Mortgage – Interest rate stays the same for the entire loan term

Good Faith Estimate – Replaced by Loan Estimate in 2015; estimated costs

HELOC – Home Equity Line of Credit; revolving credit against your home

Interest Rate – The percentage charged annually to borrow money

Loan Estimate – Standardized 3-page form comparing loan offers

Loan-to-Value (LTV) – Loan amount divided by property value

Mortgage Insurance – Protects the lender if you default (required under 20% down)

Origination Fee – Lender's charge for processing your loan

PITI – Principal, Interest, Taxes, Insurance = total monthly payment

Pre-Approval – Lender's written commitment based on verified financials

Principal – The amount borrowed, not including interest

Rate Lock – Guarantee your rate won't change for a set period

Refinance – Replacing your current mortgage with a new one

Seller Concessions – Credits the seller pays toward your closing costs

Title – Legal ownership of property, free of claims

Title Insurance – One-time policy protecting against ownership defects

Underwriting – Lender's process of evaluating your loan application

USDA Loan – Zero-down mortgage for eligible rural/suburban areas

VA Loan – Zero-down mortgage for veterans and active military

Zoning – Local rules governing how property can be used

Additional Consumer Resources

These trusted organizations provide free educational resources, tools, and consumer protections for homebuyers and homeowners.

U.S. Department of Housing and Urban Development (HUD)

Free housing counseling, fair housing enforcement, and homebuyer education programs.

hud.gov | 1-800-569-4287

Consumer Financial Protection Bureau (CFPB)

Mortgage complaint resolution, educational tools, and lender oversight. Their "Owning a Home" tool helps you compare loan offers.

consumerfinance.gov/owning-a-home

Fannie Mae

HomeReady® low-down-payment program, HomeView™ free homebuyer education course, and mortgage calculators.

fanniemae.com/homebuyers

Freddie Mac

Home Possible® affordable mortgage program, CreditSmart® financial education, and the Loan Advisor tool.

freddiemac.com/homeownership

U.S. Department of Veterans Affairs (VA)

VA home loan eligibility, Certificate of Eligibility (COE), and specially adapted housing grants for disabled veterans.

va.gov/housing-assistance

Federal Housing Administration (FHA)

FHA loan requirements, approved lender search, and mortgage insurance premium information.

hud.gov/federal_housing_administration

Utah Housing Corporation (UHC)

Down payment assistance, FirstHome and Score loan programs, and homebuyer education requirements for Utah residents.

utahhousingcorp.org

Utah Homeownership Authority

Consumer guides, mortgage education, and personalized consultation for Utah homebuyers and homeowners.

UtahHomeownershipAuthority.com | 435-229-9797



CONSUMER PROTECTION NOTE

If you believe a lender has violated fair lending laws or engaged in deceptive practices, file a complaint with the CFPB (consumerfinance.gov/complaint) or the Utah Division of Real Estate (realestate.utah.gov). You have rights—use them.

Meet Your Mortgage Guide



Tres Miller

The Magic Mortgage Lender

Residential Mortgage Loan Officer | NMLS #217768

Tres Miller has spent his career helping Utah families navigate the mortgage process with clarity, confidence, and zero jargon. As a Residential Mortgage Loan Officer, Tres specializes in making complex financial decisions feel simple and approachable.

Whether you're a first-time homebuyer overwhelmed by paperwork, a homeowner exploring refinancing options, or a veteran accessing your VA benefits, Tres brings the same commitment to every client: honest guidance, clear communication, and a genuine desire to help you make the best decision for your family.

Why Clients Choose Tres

- Plain-English explanations of every mortgage option
- Patient, pressure-free guidance at every step
- Deep knowledge of Utah-specific programs and markets
- Responsive communication (calls, texts, and emails returned same day)
- Expertise across conventional, FHA, VA, USDA, and jumbo loans
- Commitment to consumer education through the Utah Homeownership Authority

Tres's Philosophy

"My job isn't to sell you a mortgage. My job is to make sure you understand every option available to you, so you can make the decision that's right for your family. An educated borrower is my best client."

Schedule a Consultation

 435-229-9797

 UtahHomeownershipAuthority.com

 Contact through website

Serving all of Utah | Available evenings and weekends by appointment



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MORTGAGE

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