

## Chapter 6

<b>adjustable rate mortgage</b>	A mortgage in which the monthly payment and the APR may change, as specified in the signed agreement.
<b>adjustment period</b>	The period between rate changes in an ARM; a loan with a 1-year adjustment period is known as a 1-year ARM, which means that the interest rate and the monthly payment may change at the end of one year.
<b>amortization table</b>	A listing of the unpaid principal, the monthly payment, the amount allocated to paying down the principal, and the amount allocated to interest.
<b>apartment</b>	A home that is rented or leased by the people who live in it; also called a rental property.
<b>apothem</b>	A line segment that goes through the center of a polygon that is perpendicular to a side.
<b>application deposit</b>	Money that covers the cost of processing the application for the rental.
<b>area</b>	The amount of space inside a two-dimensional region, such as a floor; area is measured in square units; the living space in a property.
<b>arrears</b>	The manner that interest occurs throughout the month before it is paid with the mortgage payment.
<b>assessed value</b>	An assigned value made by the local government on the value of a house for taxation purposes.
<b>attorney fee</b>	Fees paid to an attorney in return for representation at a closing.
<b>back-end ratio</b>	A factor that banks use when deciding whether to lend money for a mortgage that takes into account a borrower's regular monthly debts, such as car loans, alimony, child support, and credit card bills to gross monthly income.
<b>balloon mortgage</b>	A mortgage with a very large last payment, with all other payments being relatively low.
<b>board of directors</b>	A group of people who are elected by the condominium or landominium homeowners to manage business matters.
<b>British Thermal Units (BTUs)</b>	A unit of measure by which air conditioners are sold.

<b>closing</b>	A meeting attended by a buyer, seller, attorneys, and a representative of a lending institution for the official sale of a property.
<b>closing costs</b>	Costs that are paid at closing that include origination fees, attorney fees, points, prepaid interest, transfer tax, and title insurance.
<b>co-op apartment</b>	A form of home ownership where an investor purchases shares of a cooperative and then is able to live in the apartment.
<b>condominium</b>	A form of home ownership where each unit is individually owned.
<b>congruent</b>	Figures that have the same shape and size.
<b>cooperative</b>	A form of home ownership where a corporation owns a group of apartments and takes out a mortgage to buy the entire apartment complex; investors purchase shares which allow them to occupy the apartments; co-op owners do not own their individual apartment, instead they own a portion of the entire cooperative development.
<b>debt-to-income ratio</b>	A ratio of monthly expenses to monthly gross income; offers a realistic view as to where a person stands financially with the amount of debt presently being carried.
<b>discount points</b>	Points that reduce the interest rate of the loan; they generally lower the interest rate about 0.25% on a fixed rate mortgage and 0.375% on an adjustable rate mortgage; these percentages vary depending upon the lending institution.
<b>down payment</b>	The upfront money applied to a purchase that is made with a loan (credit).
<b>earnest money deposit</b>	The earnest money, or good-faith deposit, paid to the seller by an interested buyer to show that the buyer is serious about buying the house.
<b>equity</b>	The amount of a home that an owner actually owns.
<b>escrow</b>	The money the bank collects from borrowers, for insurance and property taxes; the bank pays those bills for the homeowner when they are due.
<b>evict</b>	The act of legally forcing a tenant to leave a rental property for failure to pay rent or follow the rules and regulations of the lease.
<b>expire</b>	The time when a lease ends.
<b>fixed rate mortgage</b>	A mortgage in which the monthly payment and average percentage rate (APR) remain the same throughout the entire

	loan period.
<b>floor plan</b>	A drawing of the layout and the dimensions of rooms.
<b>foreclose</b>	The act by a bank of taking possession of a home when the homeowner cannot pay the mortgage.
<b>front-end ratio</b>	A factor that banks use when deciding whether to lend money for a mortgage; a ratio of monthly housing expenses to monthly gross income.
<b>furnished</b>	A rental property that is has furniture included.
<b>homeowner's insurance</b>	Required by mortgage holders, a type of insurance that covers damage to the home due to fire and other natural disasters; also covers the contents of the home in case of theft or vandalism.
<b>hybrid ARM</b>	A combination of a fixed rate period of time with an adjustable rate period of time. A 3/1 hybrid ARM indicates that the initial interest rate is fixed for the first 3 years and then there is an adjustment period every year thereafter for the life of the loan.
<b>initial rate</b>	The beginning rate of an adjustable loan.
<b>interest-only mortgage</b>	A type of balloon mortgage where only the interest is paid in full every month.
<b>landlord</b>	The person or people that own a rented house or apartment.
<b>landominium</b>	Similar to a condominium, except the owner owns both the home and the land on which the home is built.
<b>lease</b>	A written agreement between the landlord and a tenant that details the amount of rent, the length of time the apartment is to be rented, and the rules and regulations that must be followed by the tenant and the landlord.
<b>maintenance fee</b>	A fee paid monthly by condo owners and used to hire workers to maintain common areas, such as lawns, outside walls, decks, roofs, sidewalks, and roads.
<b>market value</b>	The amount that a house can be sold for.
<b>Monte Carlo method</b>	A way to find area; the theory is that the ratio of points that land inside the region to the total points should equal the ratio of the area of the irregular region to the area of the rectangle; the more points used, the more accurate the approximation.
<b>mortgage</b>	The loan taken out by people to purchase a house.
<b>non-recurring costs</b>	Costs that occur only once.

<b>origination fee</b>	This fee is money paid to the lending institution for the paperwork involved in the loan application process.
<b>origination points</b>	Similar to origination fees that are collected from the buyer as a means of paying for the loan application process.
<b>perimeter</b>	The sum of all the side lengths of a figure.
<b>points</b>	Extra fees charged by the lending institution for the use of their money; each point is equivalent to 1% of the loan amount.
<b>prepaid interest</b>	Interest starts accruing (building) at the beginning of each month and continues throughout the month; prepaid interest at the closing is the amount of mortgage interest due to cover the time from the closing date to when the first mortgage payment is due.
<b>property tax</b>	Taxes that are based on the assessed value of property owned.
<b>real estate tax</b>	Property taxes that are based on the assessed value of the home; money collected in property taxes from homeowners helps pay for government services, such as schools, libraries, and a police force.
<b>recurring costs</b>	Costs that occur on a regular basis.
<b>security deposit</b>	The money given to the landlord from the tenant as protection in the event that the tenant causes damage to the rented property; refunded when the tenant moves out if there is no damage, and can range from 1 to 4 month's rent.
<b>single-family home</b>	A home where one family lives.
<b>square footage</b>	Indicates how much floor space that is available in a living space.
<b>tenant</b>	A person who rents a house or apartment.
<b>title</b>	The legal claim of property ownership.
<b>title search</b>	A procedure used to make sure that the seller does actually hold the title to the property being sold.
<b>transfer tax</b>	A fee that is charged for the transfer of the title from the seller to the buyer.
<b>unfurnished</b>	A rental property that does not include furniture.
<b>volume</b>	The amount of space inside a three-dimensional region, such as a room; volume is measured in cubic units.