



Housing 101: Terms to Know Before Buying or Renting

Whether you're preparing to rent or buy, Ireland Bank encourages you to be familiar with the following housing terms:

Before Buying:

- APR:** Short for annual percentage rate, APR is how much your loan will cost over the course of a year. This figure is almost always higher than the interest rate, because it takes into account the interest charged as well as fees or additional costs associated with the loan. Since all lenders use the same formula, it can be a more effective way of comparing mortgages rather than just the interest rate.
- Closing costs/settlement fees:** The costs, in addition to the price of the property, that buyers and sellers are charged to complete a real estate transaction. Costs include loan origination fees, discount points, appraisal fees, title searches, title insurance, surveys, taxes, deed-recording fees and credit report charges.
- Escrow:** An account held by a neutral third party (called an escrow agent) who works for both the lender and the borrower. Escrow accounts are usually required by lenders to cover property taxes and mortgage insurance. After an initial deposit, borrowers pay into the escrow monthly – usually as part of the mortgage payment.
- Good Faith Estimate (GFE):** An accurate estimate of fees associated with a loan provided to the customer by a mortgage lender or broker. A GFE is required by law under the Real Estate Settlement Procedures Act (RESPA). The estimate must be provided within 3 business days of applying for a loan.
- Mortgage broker:** An individual or company who connects borrowers and lenders for the purpose of facilitating a mortgage loan. Unlike a mortgage lender, a broker does not make the loan or service the mortgage. A mortgage broker may represent various lenders or may offer loans from one single source.
- Points:** Borrowers can pay a lender points to reduce the interest rate on the loan, resulting in a lower monthly payment. The cost of one point is equal to 1 percent of the loan amount. Depending on the borrower, each point lowers your interest rate by one-eighth to one one-quarter of a percent.

Before Renting:

- Lease:** A legal document detailing the terms under which the lessee (the renter) agrees to rent property from the lessor (the property owner). A lease guarantees use of an asset and guarantees regular payments from the lessee for a specified number of months or years.
- Notice to vacate:** Notification from the landlord to the tenant ordering the tenant to vacate the property. In most cases, the notification is given because the tenant either broke one of the terms of the lease or is not following through with payment of rent. The tenant is typically given 30 days to vacate the premises. Similarly, a **notice to intend to vacate** may be required under the lease for the tenant to notify the landlord before vacating the property.
- Rental application:** Filled out by a prospective tenant, which typically authorizes the landlord to conduct a credit check to determine the suitability of the individual. Often, there can be a non-refundable fee associated with the rental application.
- Security deposit:** Funds, in addition to rent, that a landlord requires a tenant to pay to be kept separately in a fund for use should the tenant cause damage to the premises or otherwise violate terms of the lease.