

Financing Terminology Matching Activity

Overview

Participants review some of the terminology associated with mortgage refinancing. The objective is to help participants remember the financing terminology they learned when they bought their homes before going into depth about how to shop for the right lender and loan for refinancing their mortgage for different terms or borrowing against their home equity.

Time

15–20 minutes

Materials

Colored paper with financing terms and definitions. (Cut out the terms and definitions on the next pages or make your own.)

Set Up

- Put each term and definition on a separate piece of paper.
- Mix up the terms and definitions.

Activity

- Give each participant a piece of paper with a mortgage term or definition.
- Ask everyone to stand.
- Explain that each person now has a piece of paper with either a mortgage term or a definition. Each person must find the person who has the piece of paper with the corresponding term or definition (example: 4 Cs of Credit = Capital, Credit History, Capacity and Collateral). Let them know that when two people are matched, they should stand near the edge of the room to make space for those who remain unmatched.
- Conduct the activity.
- After all participants appear to be matched, ask everyone to read their terms and definitions aloud in turn.
- Review the mortgage terms and the correct definitions using an overhead, flipcharts or PowerPoint.

Debriefing

- How many of you were familiar with most of the mortgage terms?
- Which terms were unfamiliar to you?

Financing Terms and Definitions

Loan-to-Value: The ratio of the loan balance you owe, compared to the appraised value of a home.

Principal: The total amount borrowed from a lender, not including interest.

Closing Costs: Expenses over and above the purchase price of a manufactured home that are incurred by financing and the transfer of ownership.

Term: The amount of time you have to pay off a loan.

Interest Rate: The cost of borrowing money.

Annual Percentage Rate: The total cost of credit, including the interest, points and certain other fees charged by a lender.

Point: One percent of the loan amount.

Escrow Account: A special account set up by the lender to collect and pay for real estate property taxes, homeowners insurance and mortgage insurance, if required, as part of your monthly loan payment.

Loan Fees: Costs associated with obtaining a mortgage.

Rate Lock-In: A legal commitment between a borrower and lender to guarantee a loan at a specific interest rate for a certain period of time.

Discount Point: A prepaid finance charge paid in exchange for a lower interest rate on a mortgage loan.

Origination Fee: A fee charged by some lenders to cover the administrative costs in preparing and evaluating your loan.

Financing Terminology Matching Activity — Terms and Definitions

Term:
Loan-to-Value

Definition:
The ratio of the loan balance you owe, compared to the appraised value of a home.

Term:
Principal

Definition:
The total amount borrowed from a lender, not including interest.

Term:
Closing Costs

Definition:
Expenses over and above the purchase price of a manufactured home that are incurred by financing and the transfer of ownership.

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Definition:
The amount of time you have to pay off a loan.

Term:
Interest Rate

Definition:
The cost of borrowing money.

Term:
Annual Percentage Rate

Definition:
The total cost of credit, including the interest, points and certain other fees charged by a lender.

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Point

Definition:
One percent of the loan amount.

Term:
Escrow Account

Definition:
A special account set up by the lender to collect and pay for real estate property taxes, homeowners insurance and mortgage insurance, if required, as part of your monthly loan payment.

Term:

Loan Fees

Definition:

Costs associated with obtaining a mortgage.

Term:

Rate Lock-In

Definition:

A legal commitment between a borrower and lender to guarantee a loan at a specific interest rate for a certain period of time.

Term:

Discount Point

Definition:

A prepaid finance charge paid in exchange for a lower interest rate on a mortgage loan.

Term:

Origination Fee

Definition:

A fee charged by some lenders to cover the administrative costs in preparing and evaluating your loan.