

Refinancing Terms Matching Activity Instructions

Overview

Participants test their knowledge of key terms related to refinancing.

Time

5–10 minutes

Materials

- Copies of the “Refinancing Terms” activity
- Pencils

Set Up

- Make enough copies of the “Refinancing Terms” activity for all participants.

Activity

- Give each participant a copy of the activity.
- Explain to the participants that they are to match the definition with the appropriate term.
- Conduct the activity.
- After five minutes, ask for participants’ answers.
- Review the correct answers.

Debriefing

- Which terms were easy to identify? Which ones were more difficult?
- Why is it important to understand refinancing terms?
- Did this activity help you learn more about the key terms related to refinancing?

Refinancing Terms Matching Activity

Draw a line from the refinancing term on the left to its definition on the right.

Term	Definition
1. Refinancing	a. An agreement between a lender and a borrower that changes the terms of a loan.
2. Fixed-Rate Mortgage	b. A loan with fixed monthly payments based on a 30-year schedule of payments on which the entire balance of the loan comes due at the end of a set period.
3. Adjustable-Rate Mortgage	c. A home loan that has rights subordinate to the rights of the first mortgage.
4. Break-Even Point	d. A loan in which the interest rate remains the same over the life of the loan.
5. Balloon-Payment Mortgage	e. An agreement by which a lender places its lien position behind that of another lender.
6. Second Mortgage	f. A loan that changes on a regular schedule based on a national economic index and the lender's margin.
7. 80-20 Mortgage	g. The process of taking out a new mortgage and using the money to pay off your current mortgage.
8. Prepayment Penalty	h. A type of 100 percent financing which combines two loans.
9. Subordination	i. A fee charged on some loans to a borrower who pays off a loan before it is due.
10. Loan Modification	j. How long it would take a borrower to recoup the total costs of refinancing.

Refinancing Terms Matching Activity — Answer Key

Term	Definition
1. Refinancing	g. The process of taking out a new mortgage and using the money to pay off your current mortgage.
2. Fixed-Rate Mortgage	d. A loan in which the interest rate remains the same over the life of the loan.
3. Adjustable-Rate Mortgage	f. A loan that changes on a regular schedule based on a national economic index and the lender's margin.
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5. Balloon-Payment Mortgage	b. A loan with fixed monthly payments based on a 30-year schedule of payments on which the entire balance of the loan comes due at the end of a set period.
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10. Loan Modification	a. An agreement between a lender and a borrower that changes the terms of a loan.