

## What Is a Mortgage?

Let's start with the basics. Most home buyers don't have enough money to buy a house outright for the listing price, which is why mortgages exist. A mortgage is a long-term home loan provided by a bank or mortgage lender to help you purchase property. When you buy a house, the property acts as collateral in exchange for the funds you've borrowed. Typically, mortgages last for 15 to 30 years of monthly payments.

### **A mortgage is made up of several parts:**

- Collateral — in this case, the home itself
- Principal — the sum of money you borrowed
- Interest rate — percentage the lender charges you to borrow the money
- Monthly payment — the amount you pay back on your loan each month
- Mortgage terms — length of time mortgage agreement with agreed interest rate is in effect
- Insurance — homeowner insurance protects your property in the case of fire, theft, bad weather, etc.
- Private Mortgage Insurance—paid to the lender if the value secured is more than 80% Loan-to Value
- Property taxes — a percentage of the value of your home levied by the county