Mortgage Terms Word Search

Answer Key

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20 Terms & Definitions

PRINCIPAL
The principal is the original amount of money borrowed in a mortgage — the base amount you owe before interest. As you make monthly payments, a portion reduces the principal and a portion pays interest. Early in a mortgage, most of your payment goes to interest; over time, more g

INTEREST
Interest is the cost of borrowing money, expressed as a percentage of the loan balance. On a mortgage, interest accrues daily based on your outstanding principal. The rate you receive depends on your credit score, down payment, loan type, and prevailing market rates.

AMORTIZATION
Amortization is the process of paying off a debt through scheduled regular payments over time. With a fully amortizing mortgage, each payment reduces the loan balance so that the debt is completely paid off at the end of the term. An amortization schedule shows exactly how much g

ESCROW
Escrow is a financial arrangement where a neutral third party holds funds on behalf of two parties. In real estate, escrow accounts hold property tax and homeowner's insurance payments so they can be paid automatically. Most lenders require escrow accounts to protect their collat

EQUITY
Home equity is the portion of your property you truly own — the difference between your home's current market value and the amount you still owe on your mortgage. Equity grows as you pay down your loan and as your home appreciates in value. It can be accessed through a home equit

REFINANCE
Refinancing is replacing your existing mortgage with a new loan — typically to secure a lower interest rate, reduce monthly payments, change loan terms, or access home equity. While refinancing can save significant money, it involves closing costs (typically 2–5% of the loan) and

APPRAISAL
A home appraisal is an independent professional assessment of a property's fair market value. Lenders require appraisals before approving a mortgage to ensure the home is worth at least as much as the loan amount. Appraisers analyze comparable recent sales in the area.

FORECLOSURE
Foreclosure is the legal process by which a lender takes possession of a property when the borrower fails to make mortgage payments. After typically 3–6 months of missed payments, the lender can initiate proceedings. Foreclosure severely damages credit scores and results in the l

COLLATERAL
Collateral is an asset pledged as security for a loan. In a mortgage, the home itself serves as collateral — if the borrower stops making payments, the lender can seize the property through foreclosure to recover the loan balance. This is why mortgages offer lower rates than unse

UNDERWRITING
Mortgage underwriting is the lender's process of evaluating a borrower's risk before approving a loan. Underwriters analyze income, employment history, credit score, debt-to-income ratio, and the property's value to determine whether to approve the loan and at what interest rate.

PRINCIPAL The principal is the original amount of money borrowed in a mortgage loan — the base amount you owe before any interest is added. As you make monthly payments, a portion goes toward reducing the principal and a portion pays interest. Early in a mortgage, most of your payment goes	**INTEREST** Interest is the cost of borrowing money, expressed as a percentage of the loan balance. On a mortgage, interest accrues daily based on your outstanding principal. The interest rate you receive depends on your credit score, down payment, loan type, and prevailing market rates set
AMORTIZATION Amortization is the process of paying off a debt through scheduled, regular payments over time. With a fully amortizing mortgage, each payment reduces the loan balance so that the debt is completely paid off at the end of the loan term. An amortization schedule shows exactly how	**ESCROW** Escrow is a financial arrangement where a neutral third party holds funds on behalf of two parties involved in a transaction. In real estate, escrow accounts hold property tax payments and homeowner's insurance premiums so they can be paid automatically. Most lenders require escr
EQUITY Home equity is the portion of your property that you truly own — the difference between your home's current market value and the amount you still owe on your mortgage. Equity grows as you pay down your loan and as your home appreciates in value. Equity can be accessed through a h	**REFINANCE** Refinancing is the process of replacing your existing mortgage with a new loan, typically to secure a lower interest rate, reduce monthly payments, change loan terms, or access home equity. While refinancing can save significant money, it involves closing costs (typically 2–5% of
APPRAISAL A home appraisal is an independent professional assessment of a property's fair market value. Lenders require appraisals before approving a mortgage to ensure the home is worth at least as much as the loan amount — protecting against lending more than the property is worth. Appra	**FORECLOSURE** Foreclosure is the legal process by which a lender takes possession of a property when the borrower fails to make mortgage payments. After a period of missed payments (typically 3–6 months), the lender can initiate foreclosure proceedings. Foreclosure severely damages credit scor
COLLATERAL Collateral is an asset that a borrower pledges as security for a loan. In a mortgage, the home itself serves as collateral — if the borrower stops making payments, the lender has the legal right to seize the property through foreclosure and sell it to recover the loan balance. Th	**UNDERWRITING** Mortgage underwriting is the lender's process of evaluating a borrower's risk before approving a loan. Underwriters analyze income, employment history, credit score, debt-to-income ratio, and the property's value to determine whether to approve the loan and at what interest rate.