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Leading Professional Education Programs

Explaining a Mortgage to your Client

Helping your client get through the home buying or selling process means you need knowledge in many areas, including some knowledge of the lending process. Since most home buyers do not have enough cash on hand to purchase a home outright, financing is a key feature in the sale and purchase of a home, and a mortgage is the key instrument to achieve that end.

A mortgage is a type of legal instrument used to secure the debt for the purchase of real property and the collateral securing the debt is the piece of real property. A mortgage transfers a security interest in the real estate to the lender, but does not transfer title to the lender or a right of possession. The borrower, also known as the mortgagor, "gives" a mortgage to the lender, also known as the mortgagee, and in return the mortgagee provides the money necessary for the purchase of the real property.

Mortgages require certain legal formalities when executed and they must be recorded with the clerk of real property records in the county where the real estate is situated. Once the mortgage has been paid in full, an accord and satisfaction is executed and recorded with the clerk, releasing the lien the mortgagor has against the property.

Another helpful piece of information about mortgages is that they set up the terms of the borrower's transaction with the lender, such as the interest rate, amount of repayment, time for repayment, whether monthly, bi-annually or annually and things such as tax and insurance reserves.

Click to read Florida's statute regarding mortgages.