

# Why A Mortgage Is Not A Home Loan

Contributed by Webmaster

By Carol Bell

While mortgages are the most common way of buying a home, it is remarkable how few people actually understand what a mortgage is. The worst thing to call one is a mortgage home loan and while this expression is in common usage, it is totally incorrect. In fact a mortgage is like a contract whereby the person buying the property (mortgagor) arranges finance to cover the cost from a lender (mortgagee) and the property is used as security against the debt until it is fully repaid. However, it is easier to explain it as a legally binding document where the lender is protected from loss by using the property as security for the debt.

If it wasn't for the availability of mortgages, individuals and businesses would need to find the full amount for a property in order to purchase it. The way this process works is presented in brief detail during the rest of this article. The problem arises because so many people refer to the buyer as the Borrower and the financier as The Lender, which leads people to believe that the money has been loaned, which is not the case. The security is in fact a lien, which means the mortgagee has legal possession of your property until the debt is repaid.

This system works so successfully because the risk of loss on the part of the mortgagee is all but eliminated as they have legal possession of the property until the debt is completely repaid. This lien is recorded within public records likely to be found at a county courthouse or similar establishment. The lien stays in force while the debt remains but the property is actually owned by the mortgagor. While the mortgagee has legal possession of the property, he does not own it or have the title to it, the legal owner is the mortgagor.

However if the mortgagor or the owner defaults on his or her payments, the mortgagee has the right to dispose of the property to reclaim funds. When this happens, the procedure that follows is called foreclosure but even at this stage it is required to go through the courts first. This is a legally recognized process that must take place often referred to as 'judicial foreclosure'. This is only a short introduction as the subject is much more complex but this information should make this important issue much clearer.

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