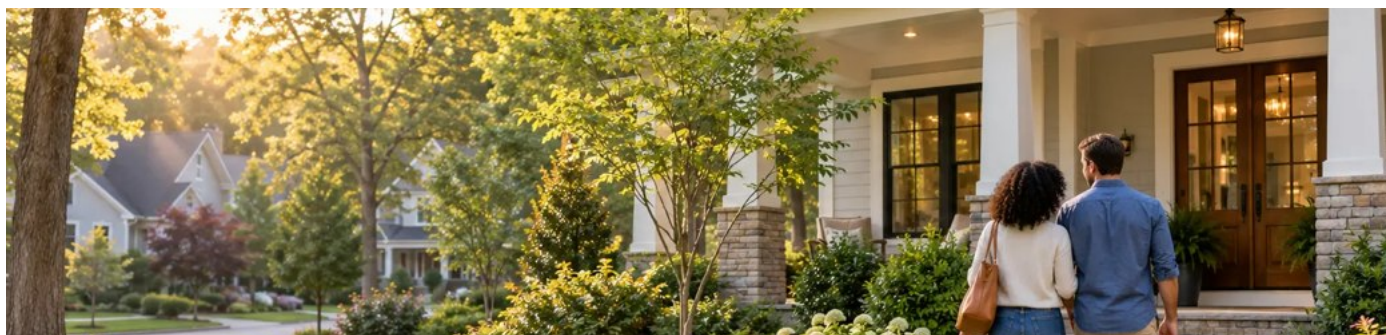


Mortgage terms, translated

A desk reference for the words in your estimates, emails and closing documents.



QUICK REFERENCE / REFERENCE

Inside your guide

- 02 Before the loan is selected
- 03 When comparing loan costs
- 04 Ratios and insurance
- 05 As closing approaches
- 06 Your mortgage question log

Plain-language explanations. A practical worksheet. Room for your questions.

NORTH CAROLINA / SEPTEMBER 2026 EDITION

Before the loan is selected

Understand the words used to describe your starting point.

Mortgage broker / lender / servicer

A mortgage broker helps arrange financing options. The lender provides the loan and makes the lending decision. The servicer handles payments and account administration; it may be a different company. Ask which organization owns your question.

Prequalification / pre-approval

These labels can describe different levels of review. Ask what was verified and what assumptions remain. Neither label alone is an unconditional promise to lend. ¹

Principal / term / amortization

Principal is the borrowed balance. The term is the scheduled repayment length. Amortization describes how scheduled payments repay principal and interest over time; the split changes as the balance is repaid.

Occupancy / reserves

Occupancy describes how the property will be used, such as a primary home or investment. Reserves are eligible assets remaining after closing under applicable loan rules. Actual living needs can exceed a program minimum.

TAKE THIS INTO YOUR NEXT CONVERSATION

If a label sounds reassuring, ask what specific review it represents.

When comparing loan costs

Similar-looking numbers can measure different things.

Interest rate / annual percentage rate

The note rate determines interest under the loan terms. APR includes certain additional finance charges in an annualized measure. APR does not include every ownership expense, and adjustable-rate APR is not a maximum-rate prediction.²

Discount points / lender credits

Points are upfront charges associated with pricing, commonly exchanged for a lower rate. Credits can offset costs and may involve a higher rate. Ask to compare options over the time you expect to keep the loan.³

Fixed rate / adjustable rate / rate lock

A fixed rate stays fixed under its contract. An adjustable rate can reset under stated rules. A rate lock protects specified pricing for a defined period and conditions; ask what changes or extensions could affect it.

Closing costs / cash to close

Closing costs are transaction and financing charges. Cash to close is the amount due from you after the calculation reflects down payment, costs, credits and amounts already paid. Ask for a reconciliation rather than adding every number yourself.

TAKE THIS INTO YOUR NEXT CONVERSATION

Ask whether the number is a rate, a fee, a monthly expense or a one-time transfer.

Ratios and insurance

These measures describe different risks and responsibilities.

Debt-to-income ratio (DTI)

Qualifying monthly debts divided by qualifying gross monthly income. Example: $\$2,800 / \$8,000 = 35\%$. The treatment of income and obligations varies by program. A ratio alone is not approval.⁴

Loan-to-value ratio (LTV)

Loan amount divided by the value used in the lending review. Example: $\$320,000 / \$400,000 = 80\%$. For purchases, the applicable value may depend on the price and appraisal under the program rules.⁵

PMI / mortgage insurance premium

Conventional PMI and FHA mortgage insurance differ in premiums and cancellation rules. Mortgage insurance protects the financing provider against specified losses; it does not replace homeowners coverage or protect you from foreclosure.^{6 7}

Escrow account / escrow shortage

An account used for expenses such as property taxes and insurance. Changing bills can change the monthly escrow amount. A shortage means the account does not have the amount required by its analysis. Ask the servicer how it will be addressed.⁸

TAKE THIS INTO YOUR NEXT CONVERSATION

A fixed-rate mortgage can still have a changing total payment because taxes or insurance change.

As closing approaches

Know which milestone a word does and does not describe.

Appraisal / inspection

An appraisal or other valuation supports the property-value review. An inspection addresses property condition for the buyer. Ask separately about value, condition and any required repairs.

Title / title insurance

Title concerns legal ownership and associated claims. Title insurance provides coverage subject to the policy. Ask the attorney about lender and owner policies and what exclusions apply.

Underwriting / conditions / clear to close

Underwriting evaluates the application under lending requirements. Conditions are unresolved requirements. Clear to close generally indicates readiness to proceed under the lender process; confirm any remaining checks and funding conditions.

Closing Disclosure / consummation / recording

The Closing Disclosure explains final terms and costs for covered loans. Consummation is the legal commitment to the loan; recording places documents in public records. Signing, funding, recording and possession need not be the same event. Ask the closing attorney about your sequence.⁹

TAKE THIS INTO YOUR NEXT CONVERSATION

If a term is unfamiliar, ask: What does this change about my next action?

Your mortgage question log

Keep this page next to your disclosures. Use it to turn unfamiliar terms into clear next actions.

The term I want explained

What it means in my transaction

Who explained it / date

My next action

Is this a condition, a cost, or a deadline? / What would change this answer? / Where is it explained in my documents?

My notes / next conversation

Print and write, or fill in with a compatible PDF reader. Save your completed copy privately.

Keep learning. Ask clearly.

Use these references to explore a question further, then ask how it applies to your transaction.

[01 CFPB | Get a preapproval letter](#)

[02 CFPB | Interest rate and APR](#)

[03 CFPB | Loan Estimate explainer](#)

[04 CFPB | Debt-to-income ratio](#)

[05 CFPB | Loan-to-value ratio](#)

[06 CFPB | Private mortgage insurance](#)

[07 CFPB | How mortgage insurance works](#)

[08 CFPB | Escrow accounts](#)

[09 CFPB | Closing Disclosure explainer](#)

References reviewed September 7, 2026. Source links are clickable. Program requirements and individual circumstances can change. These organizations do not endorse Unity Mortgage Group.

Bring your questions to Unity.

Jason Hill | 919-352-8938

jason.hill@unitymortgagegroup.com

218 E. Main St., Suite 223, Clayton, NC 27520

Unity Mortgage Group | Hill Mortgage Quality LLC Company NMLS #2353968 | Jason Hill, NMLS #2353532 | Licensed in North Carolina.

Equal Housing Opportunity. For education only; not a commitment to lend or personalized legal, tax or financial advice. All loans are subject to credit approval, lender and program requirements, and property eligibility. Terms and availability may change. Examples are hypothetical. Confirm decisions and deadlines with the appropriate professionals.