Claude Loan

Free guide, October 2026 edition

Mortgage Terms Cheat Sheet: 65 Terms by Loan Stage (2026)

The words on your Loan Estimate, Closing Disclosure, appraisal and servicer letters, grouped by stage, with the federal rule behind them.

- Shopping terms: APR, points, lender credit, rate lock
- The federal forms: application, business day, tolerance
- Qualifying: DTI, LTV, reserves, large deposit
- The property: appraisal, contingency, ROV, title insurance
- Closing and after: escrow, rescission, PMI cancellation, notice of error
- A page for your own terms

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INTRODUCTION

How to use this guide

Mortgage paperwork is written in a language of its own. This cheat sheet translates the words you will meet on a Loan Estimate, a Closing Disclosure, an appraisal, a servicer's letter and a purchase contract into plain English, with a pointer to the federal rule where one defines or governs the term.

How to use it: keep it next to your loan documents. Terms are grouped by stage (shopping, the forms, qualifying, the property, closing, after closing) and then listed alphabetically in each group, so you can read a whole stage before it starts. Where a federal rule defines a term, the section is given in brackets so you can read the official text on eCFR.

> **Important:** Claude Loan is an information publisher, not a lender, broker or law firm. Definitions here are plain-language summaries; the legal definition in the rule or in your loan documents is the one that counts.

PART 1

Shopping for a loan

- **Adjustable-rate mortgage (ARM).** A loan whose interest rate can change after an initial period, following an index plus a margin set in the note. Page 1 of the Loan Estimate says whether the rate and payment can increase after closing.
- **Annual percentage rate (APR).** The cost of credit expressed as a yearly rate, including interest and certain fees. It lets you compare loans with different fees; it is shown on page 3 of the Loan Estimate (12 CFR 1026.22 and 1026.37(l)).
- **Broker (mortgage broker).** A company or person that arranges a loan with a lender but does not fund it. The Loan Estimate shows the broker's NMLS ID if there is one (12 CFR 1026.37(k)).
- **Conforming loan.** A conventional loan at or below the loan limit the Federal Housing Finance Agency sets each year for loans Fannie Mae and Freddie Mac can buy.
- **Conventional loan.** A mortgage not insured or guaranteed by a federal agency (FHA, VA or USDA).
- **Discount points.** Money paid at closing to the lender to get a lower interest rate. Shown in section A of the Loan Estimate.
- **FHA loan.** A mortgage insured by the Federal Housing Administration, part of HUD.
- **Fixed-rate mortgage.** A loan whose interest rate stays the same for the whole term.
- **Float-down.** An option some lenders offer to lower a locked rate if market rates fall before closing, usually for a fee or on conditions.
- **Jumbo loan.** A conventional loan above the conforming loan limit.
- **Lender credit.** Money the lender gives toward your closing costs in exchange for a higher interest rate.
- **Loan officer (mortgage loan originator).** The person who takes your application and offers loan terms. Loan officers are licensed or registered through NMLS and have an NMLS ID.
- **NMLS.** The Nationwide Multistate Licensing System and Registry, where you can look up loan officers and companies on NMLS Consumer Access.
- **Pre-approval.** A lender's statement that you qualify for a loan up to an amount, based on documents it has reviewed. Ask whether the documents were actually reviewed.
- **Pre-qualification.** An estimate of what you might borrow, usually based on what you said, not on verified documents.
- **Rate lock.** A lender's commitment to hold an interest rate and points until a date. If your rate was not locked when the Loan Estimate was issued, the lender must send a revised one within three business days after you lock (12 CFR 1026.19(e)(3)(iv)(D)).
- **USDA loan.** A mortgage guaranteed by the U.S. Department of Agriculture's Rural Development for eligible rural areas and incomes.
- **VA loan.** A mortgage guaranteed by the Department of Veterans Affairs for eligible service members, veterans and some surviving spouses.

PART 2

The federal forms

- **Application.** For the Loan Estimate rules, an application exists once the lender has six pieces of information: your name, income, Social Security number to obtain a credit report, the property address, an estimate of its value and the loan amount sought (12 CFR 1026.2(a)(3)(ii)).
- **Business day.** For the Loan Estimate, a day the lender's offices are open for substantially all of its business; for the Closing Disclosure waiting period, all calendar days except Sundays and legal public holidays (12 CFR 1026.2(a)(6)).
- **Closing Disclosure.** The five-page form that shows the final terms and costs. You must receive it at least three business days before closing (12 CFR 1026.19(f)(1)(ii)).
- **Good faith (tolerance).** The rule that limits how much closing costs can rise between the Loan Estimate and closing: some charges cannot rise, some can rise up to 10 percent in total, some have no limit if estimated in good faith (12 CFR 1026.19(e)(3)).
- **Intent to proceed.** Your statement to the lender that you want to go ahead after receiving the Loan Estimate. Before it, no fee may be charged except for a credit report (12 CFR 1026.19(e)(2)(i)).
- **Loan Estimate.** The three-page form a lender must deliver or mail within three business days after your application (12 CFR 1026.19(e)(1)(iii)).
- **Home Loan Toolkit.** The CFPB booklet a lender must give you within three business days after an application for a purchase loan (12 CFR 1026.19(g)).
- **Total interest percentage (TIP).** The total interest you will pay over the life of the loan as a percentage of the loan amount, shown on page 3 of the Loan Estimate (12 CFR 1026.37(l)(3)).

PART 3

Qualifying

- **Assets.** Money and property you own that can pay the down payment, closing costs and reserves.
- **Credit report.** The file a credit bureau keeps about your accounts and payment history. You have a right to see what is in it (15 U.S.C. 1681g).
- **Debt-to-income ratio (DTI).** Your monthly debt payments, including the new housing payment, divided by your monthly gross income.
- **Gift letter.** A letter signed by the person giving you money for the purchase, stating the amount and that no repayment is expected (Fannie Mae Selling Guide B3-4.3-04).
- **Large deposit.** For Fannie Mae, a single deposit that exceeds 50% of the total monthly qualifying income for the loan; the lender must evaluate it (Selling Guide B3-4.2-02).
- **Letter of explanation.** A short signed letter explaining something in your file, such as a credit inquiry or a deposit.
- **Loan-to-value (LTV).** The loan amount divided by the home's value or price. Combined LTV (CLTV) adds every loan secured by the home.
- **Mortgage insurance.** Insurance that protects the lender if you default. Private mortgage insurance (PMI) applies to conventional loans; FHA loans carry a mortgage insurance premium (MIP).
- **Reserves.** Money left in your accounts after closing, often counted in months of housing payments.
- **Underwriting.** The lender's review of your file to decide whether to approve the loan and on what conditions.

PART 4

The property

- **Appraisal.** An appraiser's opinion of market value, ordered by the lender. You have a right to a copy (12 CFR 1002.14).
- **Appraisal gap.** The difference between the contract price and a lower appraised value.
- **Contingency.** A clause in the purchase contract that lets you cancel if a condition is not met (inspection, appraisal, financing), within a deadline.
- **Earnest money.** The deposit you make when the seller accepts your offer, credited at closing.
- **Home inspection.** A condition report on the house, ordered and paid for by you. It is not an appraisal.
- **Reconsideration of value (ROV).** A request, made through the lender, that the appraiser reconsider the value in light of errors or other comparable sales (Fannie Mae Selling Guide B4-1.3-12).
- **Title insurance.** Insurance against defects in ownership. The lender's policy protects the lender; an owner's policy protects you.

PART 5

Closing

- **Cash to close.** The amount you bring to closing, after the down payment, closing costs, deposits and credits.
- **Closing (consummation).** The day you become obligated on the loan by signing the note.
- **Closing costs.** Fees and charges to get the loan and transfer the property, shown in sections A to J of the forms.
- **Deed.** The document that transfers ownership of the property to you.
- **Escrow (at closing).** Money held by a neutral party during the purchase. Not the same as the escrow account for taxes and insurance after closing.
- **Mortgage or deed of trust.** The document that pledges the home as security for the loan.
- **Note.** Your written promise to repay the loan, with its rate, term and payment.
- **Prepaids.** Costs paid in advance at closing, such as homeowners insurance and interest until the first payment (section F).
- **Right of rescission.** For many refinances and home equity loans on your principal home (not purchase loans), the right to cancel until midnight of the third business day after closing or after the required notice and disclosures, whichever is last (12 CFR 1026.15 and 1026.23).
- **Wire fraud.** A scam in which criminals send fake wiring instructions. Always confirm instructions by phone at a number you looked up yourself.

PART 6

After closing

- **Amortization.** The schedule by which each payment covers interest and reduces principal.
- **Escrow account (impound account).** An account your servicer keeps to pay your property taxes and insurance. The cushion it may hold is limited to one-sixth of the estimated annual payments from the account (12 CFR 1024.17).
- **Escrow analysis.** The servicer's yearly review of your escrow account, with an annual statement sent within 30 days after the end of the computation year (12 CFR 1024.17(i)).
- **Forbearance.** A temporary pause or reduction of payments agreed with the servicer. If you are behind, a HUD-approved housing counselor can help for free.
- **Loan modification.** A permanent change to the loan's terms agreed with the servicer.
- **Notice of error.** A written notice to your servicer about a mistake on your account; the servicer must acknowledge it and investigate within deadlines (12 CFR 1024.35).
- **PMI cancellation.** On a conventional loan, your right to ask for PMI to be cancelled when the balance reaches 80% of the original value, and automatic termination when it is scheduled to reach 78%, on the conditions of the Homeowners Protection Act (12 U.S.C. 4901 and 4902).
- **Principal.** The amount you still owe, not counting interest.
- **Recast.** Paying a lump sum toward principal and asking the lender to recalculate a lower payment on the same rate and term, if it offers this.
- **Refinance.** Replacing your loan with a new one, for a lower rate, a different term or cash out.
- **Request for information.** A written request to your servicer for information about your loan, such as who owns it; the servicer must acknowledge and answer within deadlines (12 CFR 1024.36).
- **Servicer.** The company that collects your payments and manages the escrow account. It may not be the lender that made the loan.

PART 7

Write your own terms

Add the words your lender, agent or servicer used that you want to look up or ask about.

Term	Where I saw it	What it means for my loan

NOTES

Sources and notes

Every rule in this guide is quoted with its source as in force on the date of this edition, so you can read the official text yourself. The main sources are:

- eCFR, 12 CFR part 1026 (Regulation Z): https://www.ecfr.gov/current/title-12/chapter-X/part-1026
- eCFR, 12 CFR part 1024 (Regulation X): https://www.ecfr.gov/current/title-12/chapter-X/part-1024
- CFPB, Owning a Home: https://www.consumerfinance.gov/owning-a-home/

Numbers in worked examples are either taken from those sources or are assumptions stated as illustrative to show the arithmetic; illustrative interest rates are not offers. No testimonial, review or result in this guide is invented.

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