



Guide to Common Mortgage and Lending Terms



At ERA Liberty Realty, we believe informed clients make confident decisions. This guide is part of our commitment to clear communication, transparency, and trusted guidance throughout your real estate journey.

For Buyers

Pre-Qualification

An informal estimate of how much you might be able to borrow based on self-reported information. Not a commitment to lend.

Pre-Approval

A lender's written estimate of how much you can borrow after reviewing your credit, income, and assets. Stronger than pre-qualification.

Loan Estimate (LE)

A standardized form lenders must provide within three business days of application showing projected rates, payments, and closing costs.

Interest Rate

The cost of borrowing money, expressed as a percentage. Can be fixed or adjustable.

APR (Annual Percentage Rate)

The total cost of the loan, including interest and certain fees, expressed annually. This helps compare loans.

Fixed-Rate Mortgage

The interest rate stays the same for the life of the loan.

Adjustable-Rate Mortgage (ARM)

The interest rate can change after an initial fixed period, based on market conditions.

Down Payment

The portion of the purchase price you pay upfront. Often ranges from 0%–20% depending on loan type.

Private Mortgage Insurance (PMI)

Insurance required on many conventional loans when the down payment is less than 20%.

Escrow

An account where the lender collects and pays property taxes and insurance on your behalf.

Debt-to-Income Ratio (DTI)

Your monthly debts divided by your gross monthly income. Lenders use this to assess affordability.

Closing Costs

Fees and expenses due at closing, including lender fees, title insurance, appraisal, and prepaid items.

Underwriting

The lender's detailed review of your financial profile and the property to finalize loan approval.

Rate Lock

An agreement to hold a specific interest rate for a set period while the loan is processed.

For Sellers**Buyer Pre-Approval Letter**

A document showing the buyer has been reviewed by a lender and is approved up to a certain loan amount.

Loan Contingency

A contract clause allowing the buyer to cancel if financing is not approved within a set timeframe.

Appraisal

An independent estimate of the home's value required by the lender to confirm it supports the loan amount.

Appraisal Gap

The difference between the appraised value and the contract price when the appraisal comes in low.

Conventional Loan

A mortgage not backed by the federal government. Often requires higher credit scores and stronger finances.

FHA / VA / USDA Loans

Government-backed loans that may allow lower down payments or special terms for eligible buyers.

Cash-to-Close

The total amount the buyer must bring to closing, including down payment and closing costs.

Title Insurance

Protects against ownership disputes or claims on the property. It typically includes lender and owner policies.

Settlement Statement (Closing Disclosure)

A final breakdown of all costs and credits for both buyer and seller, provided before closing.

Recording

The official filing of the deed and mortgage with the county, completing the transfer of ownership.

Helpful Tip from ERA Liberty Realty

Understanding these terms can reduce surprises, strengthen negotiations, and keep transactions moving smoothly. Our goal at **ERA Liberty Realty** is to make every step of the buying or selling process feel connected, informed, and stress-free. Always consult your lender or real estate professional if a term or fee is unclear.