Common Mortgage Acronyms

AMC: Appraisal Management Company. AMC's are an independent party that mortgage lenders order appraisal reports through for properties that borrower(s) are intending on purchasing with a mortgage loan. AMCs complete all administrative duties regarding the appraisal process, including selecting an appraiser and delivering the appraisal report to the lender.

APR: Annual Percentage Rate. APR is a broader measure of the cost of borrowing money than the interest rate itself. The APR reflects the interest rate, any points, mortgage broker fees, and other charges that you pay to get the loan. Generally speaking, the borrower(s) APR is usually higher than interest rate.

APOR: Average Prime Offer Rate. An annual percentage rate that is based on average interest rates, fees and other terms.

ARM: Adjustable Rate Mortgage. A mortgage that will have a fixed rate for a set period of time and then the rate is adjusted. The rate will normally be adjusted once or twice a year.

ATR (ATR/QM): Ability to Repay/Qualified Mortgage. This is a rule which requires a lender to make a reasonable, good faith determination of a consumer's ability to repay residential mortgage loan according to its terms.

AUS: Automated Underwriting System. AUS is a computer generated mortgage loan underwriting decision tool. They provide near-instant loan approval or denial decisions based on the information submitted in the system.

AVM: Automated Valuation Model. An AVM is an automated service that utilizes statistical modeling combined with a database of existing properties and transactions to calculate real estate values. This service is utilized when the estimated value from an appraisal is under scrutiny and the belief is that the appraiser's determination is not accurate.

AWC: Approved with Conditions. This indicates that a mortgage will be approved as long as the borrower(s) meet specific conditions at the time of closing. This does not guarantee a mortgage with actually be approved, but rather the lender is willing to loan a specific amount of money if the applicant meets certain criteria.

Bps: Basis Points. Bps are a unit of measure used to describe the interest rate changes in a financial instrument. One basis point equals 0.01%, or 0.0001. One hundred basis points equals 1%. For example: The borrower has an adjustable rate mortgage (ARM) with an interest rate is 3.50%, then the interest rate changes to 3.75% at a later date. This means the interest rate rose by 25 basis points.

CAIVRS: Credit Alert Interactive Voice Response System. This is a federal government database created by HUD that lists those who have defaulted on federal debt or obligations.

CD: Closing Disclosure. This is a federally required document the borrower(s) should receive from their lender at least 3 days prior to closing. It documents the final loan terms, cost and funds needed for closing. This is a more precise and detailed estimate than the LE received by the borrower(s) earlier in the loan process.

CDD: Community Development District. This refers to a community that assesses fees to pay for infrastructure and amenities within the community. CDD fees are different from HOA fees in that they are incorporated into the annual property tax bill.

CFPB: Consumer Finance Protection Bureau. This is a U.S. Government Agency that ensures banks, lenders, and other financial institutions treat consumers fairly.

CLTV: Combined Loan-to-Value. The ratio of the sum of a 1st and 2nd mortgage, divided by the lower of the purchase price or the appraised value of a home.

COC: Change of Circumstance. A COC is a change that happens to the loan file which the borrower(s) need to be notified of with documentation—either a LE or CD. Example: loan amount change, interest rate locked, loan program change, etc.

COE: Certificate of Eligibility. A COE is a document provided by the Department of Veterans Affairs that indicates to the lender that the borrower(s) is, in fact, eligible for a VA loan.

CPL: Closing Protection Letter. A CPL is a contract between the title insurance underwriter and the mortgage lender. In this agreement, the underwriter agrees to indemnify the lender for actual losses caused by certain kinds of misconduct by the closing agent. Ultimately, the insurance company is agreeing to hold the ultimate risk and stand behind the policy if the title company used proves guilty of misconduct or fraud.

CTC: Cleared to Close. The final underwriting status before a loan moves to closing. Loan is fully approved through Underwriting.

D1C: Day One Certainty. This is Fannie Mae's acceptance of Verification of Income (VOI) obtained through electronic means, such as The Work Number. With D1C findings in DO, the borrower(s) do not need to supply any additional verification of income.

DO: Desktop Originator. This is an AUS system guided by Fannie Mae’s requirements and guidelines.

DPA: Down Payment Assistance. These are programs that assist borrower(s) by lowering the amount of cash to close/down payment needed for their loan. Typically these programs are designed for first time home buyers, and have their own program guidelines which are required to be followed in order for the borrower(s) to receive the assistance. Depending upon the DPA, the interest rate could be lower or interest free but that varies based on program.

DTI: Debt-to-Income Ratio. Ratio of a borrower's gross housing and/or consumer debt divided by their monthly income.

DU: Desktop Underwriter. This is an AUS system guided by Fannie Mae's requirements and guidelines.

ECOA: Equal Credit Opportunity Act. This is a law created to ensure discrimination is not present in the lending/mortgage industry. It prohibits creditors and lenders from considering borrowers' race, color, national origin, sex/gender, religion, marital status, age (provided they're old enough to sign a contract) or their receipt of public assistance as a factor for rendering a credit/lending decision.

EMD: Earnest Money Deposit. A monetary deposit (approximately 1-5% of the sales price) typically accompanied with a home offer designed to indicate that the borrower(s) is serious about their offer to buy a home, and also act as an incentive for the seller to remove their home listing from the market. This is not legally required, but seller can choose to require it from prospective buyers.

EOI: Evidence of Insurance. Often used interchangeable with HOI. Proof that a borrower has property insurance to cover any losses or damages to an individual's home and assets inside the home.

EPLS: Excluded Parties List System. This is a directory of individuals and organizations that are not permitted to receive federal contracts or assistance from the U.S. government.

FACTA: Fair and Accurate Credit Transaction Act. This is an act that amended the Fair Credit Reporting Act (FCRA). It gives consumers the right to one free credit report a year from credit reporting agencies, and consumers the ability to purchase a credit report for a reasonable cost that indicates a credit score with an explanation as to how the score is calculated.

FCRA: Fair Credit Reporting Act. This is a federal law passed in 1970 that regulates the collection of consumers' credit information and access to their credit reports.

FEMA: Federal Emergency Management Agency. This is an agency of the United States Department of Homeland Security (DHS) whose primary purpose is to coordinate the response to a disaster that has occurred in the United States and that overwhelms the resources of local and state.

FHA: Federal Housing Administration. This federal government agency oversees the US Housing Market. FHA mortgages are guaranteed by the Federal Government and offered by banks/lenders.

FHLMC: Federal Home Loan Mortgage Corporation (Freddie Mac). A stockholder owned, GSE that buys loans from small banks, combines them and resells them to help keep money flowing to lenders.

FICO: Fair Isaac Corporation. The company that created the industry standard credit scores used by almost all lenders. The FICO score is a numeric summary of the information in your credit reports that represents your potential credit risk.

FNMA: Federal National Mortgage Association. (Fannie Mae). A GSE that purchases mortgages from large, commercial lending institutions to guarantee loans for low- and moderate-income borrowers.

FRM: Fixed-Rate Mortgage. A fixed-rate mortgage has an interest rate that does not change during the term of your loan.

FSBO: For Sale by owner. This means that the seller has listed their home for sale without the assistance of a real estate agent.

FTHB: First Time Home Buyer. This encompasses buyers who are purchasing a home for the first time, and also buyers with any of the following circumstances: hasn't owned a primary residence for at least 3 years, purchased a home previously with former spouse and is now a single parent or "displaced homemaker", the previous primary residence was a property not permanently attached to a foundation (i.e. mobile home just placed on a foundation), or a primary residence that fails to meet state/local compliance regulations.

GNMA: Government National Mortgage Association (GinnieMae). A federal agency that guarantees residential mortgages insured or issues by FHA or VA.

GSE: Government Sponsored Enterprise. GSE's are privately held financial entities created by Congress for the purpose of raising credit in certain areas of the U.S. economy, particularly in real estate. GSEs provide public financial services with the intention of reducing mortgage costs for home buyers. Examples of GSE's are Freddie Mac, Fannie Mae, etc.

GUS: Guaranteed Underwriting System. GUS is an automated system exclusive for USDA loans. The system performs an assessment of the borrower(s) credit risk, allowing underwriters to make an informed decision.

HECM: Home Equity Conversion Mortgage. This is also known as an FHA reverse mortgage program. This program is geared towards seniors who have a large sum of equity within their home and would like to supplement their income. This program enables borrower(s) to withdraw a portion of their home's equity monetarily.

HELOC: Home Equity Line of Credit. HELOC is a loan in which the lender agrees to lend a maximum amount within an agreed loan term, where the collateral is the borrower’s equity in their house.

HMDA: Home Mortgage Disclosure Act. The HMDA requires most financial institutions to maintain, report and publicly disclose loan-level information about mortgages.

HOA: Homeowners’ Association. An HOA is responsible for maintaining common areas and any amenities, and it typically sets standards for how homes should look in order to keep property values up and charges monthly, quarterly, or annual dues.

HOC: Homeownership Center. Organizations that insure single family FHA mortgages and oversee the selling of HUD homes.

HOI: Homeowner’s Insurance. A form of property insurance that covers losses and damages to an individual’s home and the assets within the home.

HPML: Higher-Priced Mortgage Loan. This is a loan with an annual percentage rate (APR) that’s higher than the average prime offer rate (APOR) provided to well-qualified borrowers. HPML loans typically come with higher interest rates, closing costs and monthly payments.

HUD: Department of Housing and Urban Development. HUD is the primary housing and lending regulatory authority in the U.S.

ICD: Initial Closing Disclosure. The initial closing disclosures are the preliminary disclosures that must be acknowledged and signed in order to move forward with the loan. The ICD outlines the initial terms of the mortgage application/loan fees and must be signed three days prior to the closing date.

IRRRL:VA Interest Rate Reduction Refinance Loan. This refinance loan allows you to lower your interest rate on an existing VA home loan.

ISAOA: It's Successors and/or Assigns. This acronym is often found in policies and means the rights of the mortgagee can be transferred to another bank or can be assigned to another company if the bank is purchased.

LA: Loan Amount. This is the amount of money a borrower owes at any given time under a mortgage. This may include unpaid principal, interest, defaulted payments and other additional charges.

LARA: Licensing and Regulatory Affairs. This department is set at each state's respective executive branch level. Within Michigan, LARA was formally known as the Department of Commerce. Its function is to oversee employment, professional licensing, construction, and commerce for the state.

LE: Loan Estimate. This is a federally required document the borrower(s) should receive from a lender within three days of submitting a complete loan application. It provides the details of the loan, and the estimates of the costs the borrower(s) will pay at closing.

LLPA: Loan Level Pricing Adjustments. LLPA's are adjustments to the "price" of a loan and is a risked-based fee assessed to mortgage borrows using a conventional mortgage. This method is a way of raising process for "riskier" borrowers and protecting "safer" borrowers.

LO: Loan Officer/Originator. The individual who takes the borrower(s) loan application, pulls the borrowers credit, and assists the borrower(s) throughout the loan process.

LOS: Loan Origination System. This is a system that automates and manages the all of the steps within the loan process – from the application, through underwriting, approval, documentation managing, pricing, funding, and closing. There is also an addition LOS acronym which stands for Loan Operating Summary, which is a page in encompass under forms which serves as a “cover page” for the respective loan.

LOX: Letter of Explanation. These are short letters you may be asked to provide to a lender that explain questions that arise during underwriting, such as why your income has changed, your rental history, any late payments on your credit report, etc.

LP: Loan Processor. The individual who coordinates with the Loan Officer and borrower(s) to submit all required documentation to the UW for the loan decision.

LP: Loan Prospector. The previous name of the AUS system guided by Freddie Mac’s requirements and guidelines. The new AUS system guided by Freddie Mac is LPA (Loan Product Advisor).

LPMI: Lender Paid Mortgage Insurance. This insurance policy is covered by the mortgage lender and in having it, the borrower(s) assume a higher interest rate.

LTV: Loan-to-Value. LTV is a ratio used by the lender that divides the amount of money borrowed by the appraised value of the home in a percentage format. For example: a borrower may purchase a home appraised at $200,000 with a down payment of $40,000. This means they have a loan-to-value ratio of 80%.

MCC: Mortgage Credit Certificate. A MCC is a tax credit given generally to low and moderate income homebuyers. Typically these programs are only available to first time homebuyers.

MERS: Mortgage Electronic Registration System. A national electronic registry system that tracks the changes in servicing rights and ownership interest in mortgage loans.

MI: Mortgage Insurance. An insurance policy (which is required with an LTV over 80) that protects a mortgage lender or title holder in the event that the borrower(s) default on payments, dies, or is otherwise unable to pay the mortgage.

MIN: MERS Identification Number. A MIN is a unique 18-digit number used to track a mortgage loan throughout its life, from origination to securitization to pay off or foreclosure.

MIP: Mortgage Insurance Premium. It is an insurance policy required on all FHA loans. Borrower(s) must pay upfront MIP (UFMIP) at closing and will also have their annual premium included in their monthly mortgage payments

MLO: Mortgage Loan Originators, also known as LO. This person or institution helps the borrower through the mortgage application process and the loan closing. These are loan officers specific to mortgage lending companies.

MTG: Mortgage. A type of secured loan that is used to finance property.

NMLS: National Mortgage Licensing System. A web-based platform for regulatory agencies to administer initial license applications and ongoing compliance requirements. A NMLS unique identifier is a number assigned to each company, branch and/or individual that is licensed under it.

NOIA: Notice of Incomplete Application. This is when a potential borrower provides an application but does not provide all the information needed to underwrite the loan, meaning the application is not “completed”.

NOO: Non-Owner Occupied. A type of mortgage where the borrower does not live in the subject property.

NOV: Notice of Value. The NOV is a document the staff reviewer (neutral 3rd party) creates in reviewing and analyzing the appraisal for the subject property.

OFAC: Office of Foreign Assets Control. OFAC is a financial intelligence and enforcement agency of the U.S. Treasury Department. It administers and enforces economic and trades sanctions in support of national security and foreign policy objectives.

P&I: Principal and Interest. Principal and interest are the two elements that go towards repaying your loan.

PA: Purchase Agreement. This is also known as an agreement of sale or sales agreement, is a contract between a buyer and a seller that states the terms and conditions for the sale of a property.

PAC: Paid at Closing. This acronym is often noted in correlation to the Closing Disclosure. An item noted PAC indicates that the buyer or seller is paying for the fee via the transaction and cost is reflected in the cash to close figure.

PAT ACT. Patriot Act. Federal law requires all financial institutions to obtain, verify and record information that identifies every person who opens a mortgage loan account. This is required to help fight the funding of terrorism and money laundering activities.

PIF: Paid in Full. A due amount was paid in its entirety rather than in partial payments.

PITI: Principle, Interest, Taxes and Insurance. These are the four main components of your monthly mortgage payment. Principal is the loan amount. Interest is the rate at which the finance charge you pay for borrowing is calculated. Taxes are the real estate taxes for which you are responsible, and insurance is the homeowners insurance that your lender requires you to have.

PIW: Property Inspection Waiver. A waiver which allows a file to be underwritten and closed without the appraisal requirement.

PMI: Private Mortgage Insurance. If you put down less than 20% (above an 80 LTV) most lenders require you to have private mortgage insurance. PMI protects the lender against losses if you default on your mortgage. This can be put into your monthly mortgage payment or calculated into your rate.

POA: Power of Attorney. A POA is a trusted person appointed to act on behalf of a borrower. In relation to lending, a POA must be approved by the UW for a valid circumstance with a POA letter, and then subsequently the POA, can sign closing documents on behalf of a borrower acting as their attorney-in-fact.

POC: Paid Outside of Closing. This acronym is often noted in correlation to the Closing Disclosure. An item noted POC means that the buyer or seller paid for the fee already and/or separately from fees collected and paid in connection to their home loan.

PP: Purchase Price. This refers to the total price of a property that includes the down payment and the principal of the loan.

PTC: Prior to Closing. Items (conditions) that an underwriter would require after reviewing the loan file. PTC conditions may remain (on occasion) after CTC is issued by the UW. These items just need to be handled prior to the loan's closing.

PTD: Prior to Docs. Items (conditions) an underwriter would require after reviewing the loan file. These items need to be handled before the loan documents can be fully completed for the closing (closing package sent).

PTF: Prior to Funding. Items (conditions) an underwriter would require after reviewing the loan file. PTF conditions are rare (at Gold Star) and are things that can be taken care of after CTC and closing. These conditions must however, be met before the loan can be funded. Examples of these types of conditions would be a fully executed seller CD for the sale of a simo-closing using funds from sale of the previous home.

PUD: Planned Unit Development. PUDs are housing developments that are not subject to the standard zoning requirements, and instead work with the local government to develop criteria that will determine common areas, private areas and building guidelines.

QA: Quality Assurance. A process to ensure policies, guidelines and procedures are in compliance with set regulations.

QC: Quality Control. A process to review the whole mortgage loan that was underwritten and make sure no errors were made or any defects found.

QM: Qualified Mortgage. A QM is a mortgage that meets certain requirements for lender protection and secondary market trading under the Dodd-Frank Wall Street Reform and Consumer Protection Act. These requirements are based on an analysis of the borrower's ability to repay their mortgage (according to their income, assets, and debts). These parameters require that the borrower has not taken on monthly debt payments in excess of 43% of pre-tax income; that the lender has not charged more than 3% in points and origination fees; and that the loan has not been issued as a risky or overpriced loan with terms such as negative-amortization, balloon payment, or interest only mortgage.

RD: Rural Development. A USDA home loan, also known as the USDA Rural Development Guaranteed Housing Loan Program, is a mortgage loan offered to rural property owners by the United States Department of Agriculture.

Reg X. Section of RESPA dealing with fee disclosure. An Act that requires lenders, brokers or servicers to provide borrowers with pertinent and timely disclosures regarding the nature and costs of the real estate settlement process. Reg X protects consumers when they apply for and have mortgage loans.

Reg Z: Section of RESPA. This law requires lenders to disclose borrowing costs and protects consumers from deceitful lending practices.

REO: Real Estate Owned. Property owned by a lender (generally bank) because it failed to sell in a foreclosure auction after the borrower defaulted on their mortgage.

ROR: Right of Rescission. This only applies to the refinancing of a mortgage, a home equity loan, or a line of credit and allows a borrower to cancel a transaction within three days of closing with no questions asked. The lender must give up the property and refund all the fees within 20 days of the borrower exercising this right.

RESPA: Real Estate Settlement Procedures Act. A federal consumer protection law overseen by the U.S. Department of Housing and Urban Development (HUD) that is designed to require lenders to make a number of disclosures about the mortgage and real estate settlement process to home buyers to ensure that they can make informed choices about their choice of settlement providers and that the fees they are charged in connection with the settlement process are fair and reasonable under the law.

RTC: Right to Cancel. (See ROR) Another term for Right of Rescission and (NRTC) Notice of Right to Cancel

SAFE: Secure and Fair Enforcement for Mortgage Licensing. A mandated nationwide licensing and registration system for residential MLOs. It requires that federal and state licensing be completed through NMLS.

Section 32. HOEPA (Home Ownership and Equity Protection Act) High Fee Limit Calculation Requirements. Protects consumers from unfair practices in home equity lending by setting requirements for mortgages that have higher rates of interest or fees.

Section 8. Section 8 is a common name for the Housing Choice Voucher Program, funded by the U.S. Department of Housing and Urban Development, which allows private landlords to rent apartments and homes at fair market rates to qualified low income tenants, with a rental subsidy.

SFHA. Special Flood Hazard Area. This is an area that has been identified as hazardous for floods or erosions and must be regulated by the National Flood Insurance Program (NFIP).

SFR: Single Family Residence. A developed property which serves the primary purpose of providing a permanent dwelling unit to a single family.

SP: Sales Price. This is the price that a buyer pays for the property. It is the amount that a lender will take into consideration when providing a mortgage for the property.

SSPL: Settlement Service Provider List. Under RESPA, this is a required disclosure to be sent to the borrower(s) which provides them with a list of providers that they may want/have to utilize during the mortgage process. This list is a branch specific disclosure, not one specific to each borrower (all borrower(s) receive the same SSPL from all LO's in the branch).

TILA: Truth-in-lending Act. This act protects borrower(s) against inaccurate and unfair credit billing and credit card practices. It requires lenders to provide borrower(s) with loan cost information; this allows the borrower(s) to compare rates and costs for specific types of loans with various lenders to ensure fair lending.

TPO: Third Party Originator. A third-party mortgage originator is a person or company that works with a lender (other than their own lender who they are licensed under) to originate a mortgage loan.

TRID: TILA RESPA Integrated Disclosures. TRID informs consumers applying for a mortgage and defines compliance rules for lenders. TRID is a series of guidelines that dictate what information mortgage lenders need to provide to borrowers and when they need to provide it. It also regulates what fees lenders can charge.

UCDP: Uniform Collateral Data Portal. The portal for electronic submissions of appraisal data files. Lenders must use UCDP to submit appraisal files that conform to all GSE requirements.

UDAAP: Unfair, Deceptive or Abusive Acts and Practices. UDAAP protects consumers from any act or practice that is considered to be unfair, deceptive or abusive in banking and lending.

UFMIP: Upfront Mortgage Insurance Premium. This a mortgage insurance premium that is collected during an FHA loan (and is financed). This lump premium is added to a pool of money that is used to help lenders insure loans for FHA borrowers.

URLA: Uniform Residential Loan Application. An URLA is a standardized document used by borrower(s) to apply for a home loan.

USDA: United States Department of Agriculture. This loan type is also called an RD loan.

UW: The individual that ensures the borrower(s) meets all guideline requirements, and subsequently approves or denies the loan. UWs have final approval for all mortgage loans.

VA: Department of Veterans Affairs. This federal government agency guarantees mortgages that assist eligible veterans in buying homes.

VOD: Verification of Deposit. A document (often on letterhead) directly from the borrower(s) bank verifying the current balance of accounts.

VOE: Verification of Employment. VOEs are a document that reviews the employment history of a borrower, to determine the borrower's job stability and cross-reference income history with that stated on the borrower(s) loan application.

VOM: Verification of Mortgage. A VOM documents your mortgage payment history including the borrower(s) existing balance, monthly payments, and late payments on the account.

VOR: Verification of Rent. A VOR documents proof that a borrower (renter) has historically been making timely payments to their landlord.

VVOE: Verbal Verification of Employment. VVOEs (often completed by the loan processor via phone) ensure the borrower(s) employment has been re-confirmed and is still accurate. This process is to be completed no more than 10 days prior to closing.

1008: Underwriting Loan Transmittal Summary. This is a document Underwriting utilizes in reaching their decision. The form summarizes key information from the loan such as borrower information, subject property address details, income, monthly payments, etc.

4506(c): This is an Internal Revenue Service (IRS) document that is used to retrieve past tax returns, W-2, and 1099 transcripts that are on file with the IRS.