MORTGAGE ACRONYMS GUIDE

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The mortgage industry is full of acronyms, and when you aren't familiar with the meanings, a conversation can sound like a foreign language. Don't stress when you hear your loan officer say acronyms you do not understand; we're here to help!

Here is a list of common acronyms, and their definitions, so you can sound like a pro when applying for a mortgage.

FHA: Federal Housing Administration. The Federal Government Agency that oversees the US Housing Market. FHA mortgages are guaranteed by the Federal Government and offered by banks/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.

APR: Annual Percentage Rate. The APR calculates the annual percentage rate you would pay on the loan once the costs of getting the loan are factored in.

ARM: Adjustable Rate Mortgage. An Adjustable rate mortgage is 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.

ECOA: Equal Credit Opportunity Act. A law in the U.S. that makes it illegal for any creditor to discriminate against any applicant on the basis of race, religion, national origin, sex, etc.

FHLMC: Federal Home Loan Mortgage Corporation. A corporation authorized by Congress to provide a secondary market for residential mortgages.

GPM: Graduated Payment Mortgage. This is a type of mortgage on which the payment starts low and rises over time.

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 his or her house.

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

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

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 expressed as a percentage. For example, a borrower may purchase a home appraised at $200,000 with a down payment of $40,000. This means he has a loan-to-value ratio of 80%.

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

PITI: Principal, 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.

PMI: Private Mortgage Insurance. If you put down less than 20% most lenders or banks require you to have private mortgage insurance. This can be put into your monthly mortgage payment or calculated into your rate.

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

DTI: Total Debt-To-Income-Ratio - this is the percentage of your income that goes towards paying your monthly debts and it helps lenders decide how much you can borrow.

CD: Closing Disclosure

LE: Loan Estimate

TIP: Total Interest Percentage

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