

Mortgage Information Sheet for Buyers

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A quick reference guide to the most common mortgage terms and acronyms you'll encounter during the home buying process.

LOAN STRUCTURE & TERMS

APR – Annual Percentage Rate

Total cost of borrowing, including interest & certain fees, expressed as a yearly rate. Always higher than the interest rate.

ARM – Adjustable Rate Mortgage

A mortgage with an interest rate that can change at set intervals after an initial fixed period.

FRM – Fixed Rate Mortgage

A mortgage with an interest rate that stays the same for the entire loan term.

LTV – Loan to Value Ratio

The loan amount divided by the property's value. A key factor in underwriting and pricing.

DTI – Debt to Income Ratio

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

P&I – Principal and Interest

The core components of your monthly mortgage payment.

PITI – Principal, Interest, Taxes, and Insurance

The full monthly housing payment including escrowed items.

UNDERWRITING & QUALIFICATION

AUS – Automated Underwriting System

Software used by lenders to evaluate loan risk (e.g., DU, LP).

DU – Desktop Underwriter

Fannie Mae's automated underwriting system.

LP – Loan Product Advisor (formerly Loan Prospector)

Freddie Mac's automated underwriting system.

MI / PMI – Mortgage Insurance / Private Mortgage Insurance

Insurance required when the down payment is less than 20%. Protects the lender, not the borrower.

MIP – Mortgage Insurance Premium

FHA's version of mortgage insurance (both upfront and monthly).

UFMIP – Upfront Mortgage Insurance Premium

A one time FHA insurance fee added to the loan or paid at closing.

CLTV – Combined Loan to Value Ratio

LTV including all liens (e.g., first mortgage + HELOC).

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CLOSING & COSTS

CD – Closing Disclosure

A final, standardized form showing all loan terms and closing costs. Provided at least 3 days before closing.

LE – Loan Estimate

An early disclosure showing estimated loan terms and costs.

ESC – Escrow Account

An account used to pay taxes and insurance on your behalf.

POC – Paid Outside of Closing

Fees paid before settlement (e.g., appraisal).

TPC – Total Paid by Consumer

The full amount the borrower pays at closing.

LOAN PROGRAMS & AGENCIES

FHA – Federal Housing Administration

Provides insured loans with low down payment options.

VA – Department of Veterans Affairs

Offers no down payment loans for eligible veterans and service members.

USDA – U.S. Department of Agriculture

Offers zero down loans for eligible rural properties.

GSE – Government Sponsored Enterprise

Entities like Fannie Mae and Freddie Mac that support mortgage liquidity.

HUD – Department of Housing and Urban Development

Oversees FHA and housing policy.

RATE & PAYMENT CONCEPTS

APR – Annual Percentage Rate

Reflects the true cost of borrowing.

IO – Interest Only

A payment structure where you pay only interest for a set period.

PMI Cancellation Point (78% LTV)

When PMI automatically drops off on conventional loans.

Rate Lock

A guarantee that your interest rate won't change for a set period before closing.

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SERVICING & LOAN MANAGEMENT

HELOC – Home Equity Line of Credit

A revolving credit line secured by your home.

HE LOAN – Home Equity Loan

A fixed term, fixed rate second mortgage.

UPB – Unpaid Principal Balance

The remaining amount you owe on the loan.

ARM Caps (e.g., 5/1 ARM 2/1/5)

Limits on how much the rate can change initially, annually, and over the life of the loan.